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NEWS SUMMARY

GENERAL

Lebanon fighting 'may force partition'

The Lebanese government declared the 16th ceasefire in five days as fighting brought civil war nearer. The country's UN envoy said it was closer than ever to partition.

Fighting between Syrian peacekeeping forces and the Lebanese army in Beirut and Christian militias in the town of Zahle has killed 153.

Israel hinted that it might intervene if Syrian attacks continued. Page 2

TUC lobbies

Transport industry trade *unionists plan a mass lobby of* Parliament today, beginning a week of TUC protest. Page 6

'Gold connection'

Evidence of USSR-South Africa contact over selling gold, diamonds and platinum is to be given by BBC TV's Panorama tonight. Back Page

Special jury call

Law Society urged the use of specialist juries or assessors in complex commercial fraud or conspiracy trials. Page 6

Iran air strike

Iranian aircraft crossed Iraq for an attack on an air-force base 50km from Jordan, Iran said.

10,000 protest

Over 10,000 marched through London in protest at the proposed Nationality Act.

N-power attack

French Socialist presidency candidate Francois Mitterand called France's civil nuclear plans "excessive." Page 2

PLO prepared

PLO expects a U.S. strike in the Middle East and will respond by attacking U.S. interests around the world, a Palestinian leader said.

Zurich peace bid

Zurich authorities are to re-open a youth centre after street battles between young people and police since September.

Hijack deaths

An Indonesian commando and the pilot of the hijacked airliner stormed by commandos in Bangkok last week died in hospital.

Constitution snub

Canadian Government ignored provincial requests for new talks on Premier Pierre Trudeau's plan to repatriate the Constitution.

Walk in fear

Ramblers' *Association* head complained of farmers who shot at walkers or left ferocious Welsh rams near paths. Page 6

Chinese mourn

Thousands visited a monument in Tien an Men Square, Peking, to those who died in anti-Left riots five years ago.

Uganda sabotage

Ugandan rebels burnt Kampala coffee warehouses in their campaign to oust President Obote.

Outside chance

Jim Cook left Heathrow airport aiming to become the first British window cleaner to scale the Empire State Building.

Briefly . . .

Swiss voted against a better deal for foreign guest workers.

Belize independence talks start in London today.

Soviet Premier Nikolai Tikhonov begins his first official trip to the West today.

BUSINESS

IMF to allow sterling lending

● **STERLING** will be used for lending by the IMF, following talks to remove obstacles. This *could help ease upward pressure* on the currency. Back Page

● **EUROPEAN COMMISSION** officials have made a series of dawn raids on ICI and other UK companies, seeking evidence of alleged unfair trading practices. Back Page; Inspectors who need no invitation, Page 4

● **HIGH PUBLIC** sector price rises were sharply criticised by Chancellor Sir Geoffrey Howe. Page 4

● **BUDGET'S** fiscal measures should allow the 1981/2 money supply targets to be achieved, and bring further interest rate cuts, said Barclays Bank. Page 6; Lex, Back Page

● **BRITISH STEEL** productivity almost doubled in the last two years because of more than 24,000 redundancies in South Wales. Page 6

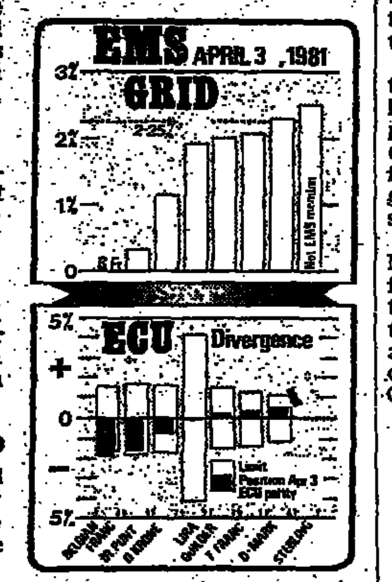
● **INDUSTRY DEPARTMENT'S** bank loan guarantee scheme for small businesses will start in May. Back Page

● **UK TEXTILE INDUSTRY'S** present phase of rationalisation and closures is likely to end soon, a brokers' review says. Page 4

● **LONDON GAS OIL** futures contract will be launched today at Cereal House, Mark Lane. Back Page

● **KIELLAND** rig disaster report's call for improved off-shore safety could raise operating costs significantly. Page 2

● **BUEHRMANN-TETTERODE**, the Dutch paper group, increased net profits 12 per cent last year to Fl 46.2m (£8.8m). Page 24



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **BELGIUM** was the main point of interest within the European *Monetary System* last week. The resignation of the Government and sharp interest rate rises were the major factors, with the central bank discount rate rising 3 percentage points to a record 16 per cent. On Friday Treasury certificate rates were raised for the second time in the week, but this did little to help the Belgian franc which improved on Tuesday's discount rate rise, but then weakened again to finish the week well outside its warning divergence limit, and once again fairly close to the maximum permitted limit.

The German Bundesbank supported the Belgian currency *when it fell to its floor against* the D-Mark, which remained the strongest member of the system ahead of the French franc

CONTENTS

Tension rises over Poland

By Christopher Bobinski in Warsaw and David Satter in Moscow

Mr. Leonid Brezhnev with Mr. Gustav Husak, his Czechoslovakian counterpart, at Prague airport

MR. LEONID BREZHNEV, the Soviet State and Party leader, *flew to Prague yesterday to* head the Soviet delegation to the Czechoslovak Communist Party congress.

It was a surprise move, heavy with symbolic undertones. On arrival he was met by Mr. Gustav Husak, his Czechoslovak counterpart and the man who took over the reins of power from Mr. Alexander Dubcek, the reformist Communist Party leader, seven months after the Warsaw Pact invasion of Czechoslovakia in August 1968.

Mr. Brezhnev's last-minute decision came against a background of growing signs of Soviet impatience and concern about events in Poland, and of continuing Warsaw Pact manoeuvres in and near that country.

The Soviet leaders have reacted angrily to the decision at the recent central committee meeting of the Polish Communist Party to hold a Party congress in July which would allow secret balloting and a choice of a plurality of candidates for Party posts instead of the traditional single list.

Soviet Press reports yesterday described the situation in Poland as counter-revolution, "anarchy and chaos."

The Soviet Communist Party newspaper Pravda, in a commentary on the Polish situation, said that the week's events showed that the "serious threat to the foundations of a socialist system in Poland has not passed."

It added that the Solidarity free trade union movement was engaged in a "direct struggle against the socialist system." *and that it was in such conditions that the importance of "joint action" by the "fraternal socialist" countries grew.*

Speculation that Mr. Brezhnev's decision to go to Prague would be followed by other Warsaw Pact Communist Party *leaders, so providing the opportunity* for a summit meeting to discuss events in Poland, was discounted by officials.

They said that fraternal delegations would be headed by lesser officials than originally planned. Mr. Stanislaw Kania, the Polish Communist Party leader, is not expected to come.

Instead Mr. Brezhnev will have an opportunity to discuss the situation with Mr. Stefan Olszowski, leading the Polish delegation.

Mr. Olszowski, a former Polish Foreign Minister, has emerged in recent months as the foremost spokesman for hardliners in the Polish Politburo.

At last week's tumultuous Polish Communist Party central committee meeting Mr. Olszowski *was strongly criticised by* rank-and-file members for his hard-line views, and offered to resign. *His resignation and that* of two other Politburo members, including Mr. Tadeusz Grabski, *who represented the Party at* last week's Bulgarian Party congress, was refused.

Mr. Olszowski was chosen to lead the Polish delegation several weeks ago. At that time the Czechoslovak congress was expected to be a routine affair.

This situation has been dramatically changed by Mr. Brezhnev's decision to head the Soviet delegation. It is the first time that Mr. Brezhnev has led a Soviet delegation to an East European Party congress since 1971, when he did so at the Czechoslovak congress.

This congress set the seal on the "normalisation" process involving a massive purge of reformist elements from the Party, a brake on economic and political reforms, and stationing of Soviet divisions on Czechoslovak soil.

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Warsaw Pact exercise gets fresh troops

BY LESLIE COLITT IN EAST BERLIN

FRESH Warsaw Pact troops were moved yesterday into the Soyuz 81 manoeuvres in and near Poland, said the East German news agency.

The military exercises, which have lasted 18 days, have become the longest since the Warsaw Pact manoeuvres in Czechoslovakia in June and July, 1968, which preceded the Soviet invasion of that country.

The news agency said: "Fresh reserves were introduced from deep inside home territory." They were moved into the manoeuvre area by rail and in military columns. Other troops were brought to the Baltic coast "by landing craft."

The report indicated that only Soviet and East German troops were involved, while Polish military activity, as in previous days, was not mentioned.

Western military analysts note that the Warsaw Pact has rotated forces in the manoeuvre area to give a maximum number of men battlefield experience.

The newly-arrived troops were said to have been informed "politically and militarily" about their forthcoming "combat tasks," an indication that the manoeuvres would continue for some time.

Mr. Caspar Weinberger, U.S. Defence Secretary will leave London tonight for Bonn, where he will meet Defence Ministers *from all NATO countries, except* Iceland, at a meeting of NATO's Nuclear Planning Group — *which is held every six months* and had been planned for some time.

Foot threatened by Benn challenge

BY MARGARET VAN HATTEM, LOBBY STAFF

THE ROW in the Labour Party over Mr. Tony Benn's decision to contest the election for the deputy leadership of the party is strengthening doubts among back-benchers about the effectiveness of Mr. Michael Foot, the party leader.

Some now fear that despite the disclaimers of all other leading Labour figures at *present,* the election could develop into a general contest for what is increasingly *regarded as the nomination* of a successor as much as a deputy.

Even strong supporters of Mr. Foot concede that his performance as leader has been less than brilliant. He has not held the party together as was hoped, and some suggest that in concentrating his attack on the Government on unemployment, he has misjudged public feeling.

It is already being suggested that his age (he is 67) or his health may provide convenient grounds for his retirement from the leadership before the next election.

Should Mr. Foot retire, the holder of the deputy leadership would be strongly placed to lead the party into the next General Election. And whereas Mr. Benn is not expected to win the contest, it is suggested that his decision to stand could draw in other candidates more likely than he to displace Mr. Healey.

Even among his own supporters, Mr. Benn is not *considered likely to oust Mr.* Healey. However, even a moderately successful vote *would underline his popularity* among Left-wing activists in the constituency parties and the unions, boosting his long-standing and recently successful campaign to give them greater power in the party.

No one on the Right-wing of the party is expected to enter the contest at this stage, but members of the Tribune group are planning to discuss the issue next Monday. After that, other Left-wing candidates may come forward, ostensibly to split the Left-wing vote in a "stop Benn" campaign, but more credibly to stake their own claims. Names mentioned in this context include Mr. Eric Heffer and Mr. John Silkin.

The fear in the party is that this could in turn persuade Mr. *Peter Shore and Mr. Roy* Hattersley to stand eventually.

In the meantime, Mr. Benn will seek to by-pass trade union leaders in his bid for the deputy leadership by appealing directly to the rank and file at the forthcoming round of union annual conferences.

The Labour Co-ordinating Committee, a Left-wing pressure group closely associated with *Mr. Benn, yesterday* welcomed his decision to contest the position and promised to support his campaign.

One committee member later said Mr. Benn hoped to appear personally at many of the conferences.

Leaders of the main unions are likely to come under pressure over the next four days to rally round Mr. Foot

Government accepts Heseltine plan to control industrial rates

BY ROBIN PAULEY

THE GOVERNMENT has accepted a plan by Mr. Michael Heseltine, Environment Secretary, to impose a maximum limit for commercial and industrial rate rises.

It is understood the proposals have been given "high priority" in principle in the queue for legislation in the next session.

This means a law giving Mr. Heseltine the necessary powers could be on the statute books well before local councils make their next rate fixing decisions.

The Environment Department has said only that the "capping" of the commercial rate is one of many possibilities being considered.

The plan, which was the preferred option some months ago, is much further ahead.

Mr. Heseltine sees it as a way of giving the much-promised help over rates to commerce and industry while exerting political pressure on councils to restrain spending.

He has been spurred by the failure of his other initiatives to control spending and has been under great pressure, particularly from the Confederation of British Industry, to control industrial rate bills.

The CBI considered that this year's rises, except in the rural shire areas, were too high. The average commercial rate rise in inner London for 1981-82 is 33 per cent and the avearge in metropolitan areas in England and Wales outside London is about 24 per cent, compared with a projected inflation rate of about 10 per cent for the financial year.

This means the 3.2m commercial ratepayers will generate about £5bn — half of the expected total rate income.

The Government will have its new powers by the time the 1982-83 rates are fixed and is unlikely to allow commercial rates to be increased by more than the inflation projections. The difference between this figure and what councils hoped to raise to finance spending will have to come from the domestic ratepayer (unless the Government unexpectedly decides to finance it through the rate support grant).

Mr. Heseltine hopes this extra burden will finally force some high spending councils to restrain their domestic rate increases.

He will argue that domestic ratepayers are subsidised by central government while industry is not.

Builders' strike threat grows

BY CHRISTIAN TYLER, LABOUR EDITOR

WORKERS ON large building sites around the country have voted to support a threatened *national stoppage in protest at* attempts to impose a temporary wage freeze in the industry.

Union officials reported yesterday a strong tide of militancy at site level in spite of high unemployment — there are an estimated 350,000 construction *workers out of a job.*

Official approval for a national strike was given on Friday by leaders of the Transport and General Workers' Union, one of the two big unions in building and civil engineering.

Among the sites preparing for action are the Sullom Voe oil terminal in the Shetlands and the Thames flood barrier project in Woolwich, East London.

Workers on all three shifts at the Thames barrier have already voted to go on strike for 24 hours on Wednesday. This *is in support of a lobby of Parliament* that day organised as part of the TUC's week of protest against Government policies.

The TGWU threat, which is likely to be endorsed by a committee of its craftsmen's delegates today, will be put to other unions before pay negotiations resume on Thursday.

The building and civil engineering employers' offer has been rejected by all four unions, including the biggest, the Union of Construction, Allied Trades and Technicians.

Last month the employers offered a 5.7 per cent increase *to start in November, four months* after the normal pay anniversary, and to run for nine months.

Officials of the National Federation of Building Trades Employers, who, with the Federation of Civil Engineering Contractors, constitute the negotiating board, are to meet before *Thursday to consider the threat.*

There are reports of a split on the employers' side about the wisdom of persisting with the freeze — an idea which has been adopted by other big employers such as British Steel and British Airways.

Union negotiators are also pressing for removal of what they describe as "penalty clauses" attached to the earning of £8.75p a week holiday stamps.

The last national stoppage in the industry was in 1972 and lasted for 11 weeks.

TUC starts protest campaign, Page 6

Business opinion survey shows recession slowing

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE TROUGH of the recession may be in sight as companies report a pick-up in demand from previously very low levels.

The Financial Times monthly survey of business opinion, published today, gives further evidence that the rate of decline of activity has slowed appreciably and that the low point may not be far off.

There are favourable movements in the indicators for recent deliveries, new orders and future order books, continuing the recovery seen in the past three months.

On balance companies still report a decline rather than a rise in deliveries and new orders in the past four months, though the gap has narrowed. There is a clear positive balance of companies expecting larger rather than smaller order books in the next four months.

These replies are broadly similar to those in last week's *Confederation of British Industry monthly trends inquiry,* and are therefore unlikely to resolve the intense debate about the state of the economy.

In practice, whatever the differences of the timing, there is considerable agreement that the rapid decline of output should come to an end in the first half of this year.

What is more significant, and more uncertain, is whether the economy would recover gently, as the Treasury believes, or bounce along the bottom until 1982.

Neither the Financial Times nor the CBI survey provides a clear pointer.

Doubts about the prospects for recovery are expected to be expressed by the all-party Treasury and Civil Service Committee of the Commons when it publishes its report on the Budget, probably on Wednesday. This is likely to highlight the issue of whether and how investment by profitable nationalised industries can be financed by the private sector.

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Business opinion survey, Page 10

Mitsubishi looks for site in Scotland

BY RAY PERMAN, SCOTTISH CORRESPONDENT

MITSUBISHI ELECTRIC Corporation, the electronic subsidiary of the Japanese industrial group, is looking for a site in Scotland for a 100,000 sq ft factory to expand its production of televisions in the UK.

The company has a plant at Haddington, East Lothian, which it bought from the Norwegian Tandberg group two years ago, and it is understood that satisfaction with the quality and productivity there is one reason behind the proposed expansion.

Mitsubishi's decision, coupled with the announcement by Toshiba last week that it would reopen its Plymouth factory, confirms the growing Japanese presence in the television manufacturing industry.

Apart from these two companies, three have UK plants, all in Wales. *They are Hitachi,* in a joint venture with GEC; Sony; and Matsushita.

In its brief time in Scotland, Mitsubishi has established an excellent relationship with its *workforce. This and the desperate need for new investment* and jobs in depressed areas is likely to ensure a welcome from unions and local authorities for any expansion.

A team from the company was in Scotland last week looking in detail at sites and talking to officials from the Scottish Economic Planning Department and local authorities.

Since it took over the Haddington factory employment has increased threefold (here to 210, above the peak level achieved by Tandberg, and production is more than 70,000 sets a year.

The new plant would be much larger, and might have up to 500 jobs in full production.

Despite its favourable experience at Haddington, it is unlikely that Mitsubishi will want to build further on the *site, since East Lothian has been* dropped from the list of assisted areas, and new developments *there no longer qualify* for grants toward cost of buildings and equipment.

It is probable that the company will look for a site elsewhere in the central belt of Scotland where it will be eligible for Government support and still be within easy travelling distance of Haddington.

Mitterrand says he would review N-power plans

BY ROBERT MAUTHNER IN PARIS

M. FRANCOIS MITTERAND, the Socialist challenger for the French presidency, has promised, if elected, to review France's ambitious civil nuclear programme, which he described as "excessive, even dangerous."

Though he did not rule out nuclear energy altogether and said that nuclear power stations under construction would be completed, he stressed in a magazine interview that priority would be given in his energy programme to energy-saving measures.

Traditional sources of energy, such as coal, which had been allowed to decline, would also be developed and special emphasis would be laid on new sources of energy, which could attain 10 per cent of total electricity production by the year 2,000.

Answering criticisms about the comparatively high cost of French coal production, the Socialist leader replied: "Perhaps. But the coal produced in France represents how many jobs and how much work for the regions?"

Giving details of his economic programme, M. Mitterrand said it was essential to stimulate the economy to create more jobs. The basic aim of his programme was the return to full employment. To achieve this objective, he proposed six main measures, in addition to the nationalisation of the country's ten biggest industrial groups:

- Selective reflation of the economy through the raising of low wages and social benefits.
- Reduction of the working week from 40 to 35 hours by "decentralised" agreements for each industrial sector and even company.
- The launching of an extensive public and private investment programme and aid for research, to be financed by a large national loan for industry. Special emphasis would be laid on the building sector, public works and housing.
- The creation of 150,000 jobs in the public sector plus another 60,000 in organisations dealing with the protection of the environment and the quality of life and those promoting social and cultural activities.
- Reduction of social charges of companies employing manual labour.
- The application of an active vocational training policy in co-operation with the unions and professional associations.

In addition, M. Mitterrand proposed six main measures to achieve greater social justice, including the exoneration from income tax of low-income families.

Community Ministers join attack on wage indexation

BY JOHN WYLES IN BRUSSELS

THE Belgian Government's recent efforts to suspend the country's wage indexation system received strong backing at an informal week-end meeting of EEC Finance Ministers. Disagreements about indexation brought down Mr. Wilfried Martens' coalition government last week. As a result, Belgium only sent an observer to the 24-hour Ministerial session at Bouvigne Castle, near Breda in the Netherlands.

Last month's EEC summit was critical of wage indexation. According to Mr. Max van der Stee, the Dutch Finance Minister, he and his colleagues agreed at the week-end that strict indexation hampered industrial restructuring in the restoration of competitivity.

Recognising that wage restraint was necessary for all EEC economies, the Ministers also agreed that the open world trading system must be preserved, despite strains in trade relations with Japan and the U.S.

While considering that there was no need at present to provide the IMF with extra funds, the Ministers were apparently concerned about the delay in replenishing International Development Agency money. This anxiety will be expressed by the British, West German, and French Ministers when they meet their U.S. and Japanese counterparts in London next week.

Lebanon ceasefire collapses

ALL EFFORTS to end the renewed fighting in Lebanon by last night had failed. Syrian troops of the Arab deterrent force and Christian militiamen continued their fierce fighting here and around the town of Zahle 30 miles to the east for the fourth day running, Ihsan Hijjazi reports from Beirut.

In the past 48 hours, three ceasefires have broken down as Syria served notice that while it had no intention of occupying the mainly Christian Zahle, it will accept nothing less than withdrawal of the Christian militia from the town.

President Hafez Assad of Syria was reported to have informed Lebanese emissaries that the Bekaa valley, where Zahle is located, and the main highway leading from there to Damascus was of crucial strategic importance to Syrian troops serving as an Arab League deterrent force.

Swedish strike move

Sweden's PTK union for salaried employees, which has 1.3m members, has decided to serve notice this week to hold a series of strikes starting at Easter, Westerly Christner reports from Stockholm. The move came after SAF, the employers' federation, decided to ask a government team to intervene in its pending talks on a two-year pay pact with the union, which has rejected the employers' 9.3 per cent offer.

Salvador peace call

President Luis Herrera Campins of Venezuela visits Mexico today, and is expected to join with Sr. Jose Lopez Portillo, the Mexican President, in a call for a political settlement to the civil war in El Salvador, William Chislett reports from Mexico City.

Mexico oil-price cut

Mexico, the world's fourth largest oil producer, has reduced the export price of its offshore Maya oil by $2.50 a barrel to $32, because of the increasing world oil supply. William Chislett writes. The price of its onshore Isthmus oil remains at $38.50 a barrel.

Iran air attack

Iran's Defence Minister, Mr. Javad Fakouri, said yesterday that Iranian aircraft had destroyed long-range fighters at an Iraqi base near the Jordanian border, to show no part of Iraq was safe from the Iranian Air Force, Reuter reports from Tehran.

Kielland report could push up rig costs

BY FAY GJESTER IN OSLO

THE HIGHLY-CRITICAL report just issued by the Norwegian commission of inquiry into the Alexander Kielland North Sea rig disaster has called for improvements in safety routines which could push up offshore operating costs significantly.

The Government-appointed *commission into the capsize of* the Alexander Kielland in the Norwegian sector of the North Sea a year ago, in which 123 men died, says poor design, lack of stability and "abysmal" security precautions all contributed to the accident.

The report is highly critical of the way government agencies handled their respective supervisory tasks.

The rig's designers underestimated the stresses it would have to bear in the harsh North Sea environment, the report adds. The faults which led to the disaster—cracks in a weld around an instrument attached to a platform strut—were allowed to develop undetected until the strut snapped and a leg broke off.

Safety precautions and evacuation equipment were "hopelessly inadequate."

Though the report is primarily concerned with what went wrong on the Kielland, its recommendations have far-reaching implications for the offshore industry generally.

It urges that safety on mobile platforms be incorporated right from the planning and design stage.

An overall assessment must be made of all hazards that could affect platform strength, buoyancy or stability, as well as other risks on board—crane accidents, faults in construction or equipment, working routines, and the inter-play of these factors.

Among the specific measures recommended, to increase safety, are a doubling of lifeboat capacity and research into new ways of launching lifeboats.

Difficulty with release devices was one reason why only two of the Kielland's lifeboats got away from the platform, the report goes on.

Several were smashed as crews struggled to release them. The boats themselves should have heaters, blankets and warm clothing, and be marked with reflectors.

Inside the platform, design features should be incorporated to make escape easier, even if the rig is listing heavily and its main power system has failed. These features should include battery-powered, emergency lighting systems, hand rails in all corridors, and non-slip floors.

All heavy objects should be fastened down. Everyone aboard the rig, whether crew or temporary worker, should be given thorough safety training, covering the use of all escape equipment on the platform.

On a field, every platform should have its own standby vessel, stationed not more than one nautical mile away. Supply boats should be equipped with gear, such as climbing nets, to help rescue people from the sea.

Martin Dickson adds: Several rigs of similar design to the Alexander Kielland are at present operating in UK waters. They underwent safety investigations following the disaster, but publication of the commission's report could lead to fresh checks.

One of the Kielland's sister ships, BP's Buchan Alpha, was modified last year to improve its safety margin on the recom*mendation of* Profesor Sir Hugh Ford, Pro-Rector of Imperial College.

The Department of Energy said yesterday that it could not comment on the Commission's report until it had studied the document in detail.

Haig seeks to reassure Egypt on peace search

THE REAGAN Administration considers the search for peace in the Middle East as no less important than ensuring the security of the Gulf, Mr. Alexander Haig, the U.S. Secretary of State said yesterday in Cairo, our correspondent writes.

Speaking after two hours with President Anwar Sadat, he said the two objectives were mutually reinforcing. "Progress in one tends to support the other."

Mr. Reagan, he said, "is personally dedicated to the proposition that a strong Egypt is absolutely indispensable to peace and stability in this region and globally."

This emphasis on Egypt's role in U.S. strategic plans clearly annoyed Egyptians and, in an *obvious snub*, the semi-official newspaper Al Abram criticised the new Administration's Middle East policy.

David Lennon adds from Jerusalem: Mr. Haig said on his arrival here from Egypt yesterday that he came to talk with friends about regional security. In his statement at the airport where he was met (pictured left) by Mr. Yitzhak Shamir, the Israeli Foreign Minister, he reaffirmed the U.S. commitment to Israel's security and well-being "which is central to U.S. policy in the Middle East."

Israel, he said, has an important role to play in safeguarding the strategic interests of the U.S. in the region.

Terrorist chief seized in Italy

By James Buxton in Rome

ITALIAN POLICE have scored a *major success* against Red Brigades terrorists with the arrest of Mario Moretti, widely considered the real leader of the *Left-wing organisation.*

The elusive Moretti was arrested with three others as they drove into Milan. They were Enrico Fenzi, a former university professor and an idealogue of terrorism, who was acquitted of terrorist activity a year ago and two lesser ranking terrorists, one of them a woman.

Moretti is believed to have directed the terrorist ambush in which former Prime Minister Aldo Moro was seized in Rome in 1978. He is thought to have conducted the interrogation of Sig. Moro and to have ordered his death after a month and a half in captivity

He is also known to have been trying to rebuild the Red Brigades organisation after the police onslaught on terrorism last year.

Bonn looks for ways of boosting economy

BY STEWART FLEMING IN FRANKFURT

THE West German Government is expected to resume discussions today about measures to boost investment and growth following official confirmation *that Bonn and Paris are considering* jointly raising a multi-billion D-Mark loan from Middle East OPEC states. The loan and new economic policy initiatives are likely to be on *the agenda of a full Cabinet* meeting in Bonn planned for Wednesday.

The possibility of a joint financing — some DM 10bn (£2.13bn) is being talked of but it is not clear whether this would be the total package or each nation's share—was confirmed on Friday by Chancellor Helmut Schmidt.

However, officials have been refusing to give details about what is under consideration, or to explain the background to the proposal. Herr Schmidt said only that the loan could be floated on the international capital markets and that the proceeds in West Germany could be used to promote energy-saving investment.

It has become increasingly clear, particularly since the Bundesbank decision at the end of February to raise interest rates sharply, that Bonn has focused its attention much more intensely on the economy's problems, in particular the stubborn current account deficit, the rising government borrowing requirement and the deepening recession.

Government officials have made it clear they will resist pressures from the left wing of the Social Democratic Party, senior partner in the coalition, and the unions for measures to stimulate the economy. It is evident, however, that in terms of both the short-term unemployment problem and the longer-term adjustment of the economy to its over-dependence on imported energy, programmes to stimulate conservation or energy-saving investment, are attractive.

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CONTRACTS AND TENDERS

Ireland expects to attract Japan car part companies

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

IRELAND expects to attract several Japanese automotive component companies into setting up manufacturing operations as a result of Nissan's plans to make Datsun cars in Europe.

Mr. Desmond O'Malley, Ireland's Minister for Industry, returned recently from Japan where he discussed the component requirements for the Datsun with Nissan executives and talked with component companies. On a stopover in London, he said: "I would be very disappointed if we did not get five manufacturers to set up in Ireland."

Mr. O'Malley's department is responsible for the Irish Industrial Development Authority (IDA) which has been successful in attracting foreign investment into Ireland particularly from the U.S. and Japan.

If Nissan goes ahead with its European plans, it is expected to agree to source eventually 80 per cent of the content of its cars locally. This could benefit the UK if that is where Nissan decides finally to locate its car plant, or elsewhere in the EEC. Some concern is already being expressed privately by British component makers that they might not benefit as much from the Nissan plans as was anticipated when the UK Government excitedly announced earlier this year that Nissan was looking at sites in Britain.

The Irish Government, however, is keen to expand on the relatively narrow industrial base of electronics, pharmaceuticals and health-care equipment which has dominated its inward investment. Engineering is one of the prime sectors on which it is basing its hopes, and where it believes it has a growing advantage over the UK because of its exchange rate—the Irish pound is now 23 per cent lower than sterling.

Ireland was on the final list of three countries for Ford's engine plant which eventually went to Wales, but Mr. O'Malley's aim to expand in automotive components is geared more towards high volume, electronically-controlled component items to supply Nissan and other car manufacturers.

He is also anxious to attract British engineering companies into seeing Ireland as a manufacturing base for exports, again quoting the favourable Irish currency rates.

Direct reduced iron trade grows

BY ROY HODSON

TWO SHIPLOADS of Direct Reduced Iron (DRI) produced at a new Trinidad plant and despatched recently to Spain and Brazil mark the latest expansion in the fast-growing DRI trade. Each shipload was more than 20,000 tonnes from the Iron and Steel Company of Trinidad and Tobago (ISCOTT).

World production of DRI material, which offers an attractive alternative to the classic blast furnace route in iron and steel-making, is expected to approach 10m tonnes this year. Production last year totalled more than 7m tonnes—a record figure in spite of the downturn in world steel-making.

SIDOR in Venezuela has become the first DRI plant in the world to produce over 1m tonnes in a single year. Qatar Steel, a pioneer Middle East producer of DRI, has set a new production record for its plant with an output of more than 400,000 tonnes in 1980.

Other plants in West Germany, Canada, and Argentina have worked above their rated capacities. In Mexico the DRI plant makers, HYL, have begun work on a Government-backed scheme to base all Mexico's future steel expansion upon DRI instead of blast furnace technology.

Libya is now understood to be in the final stages of negotiations with HYL for a 1m tonnes a-year DRI plant based upon the company's latest HYL Three process. It is destined for the Misurata project site.

Five new DRI modules designed by Midrex of the U.S. will start production this year. Two are in West Germany, two in Nigeria, and the fifth is at the ISCOTT plant in Trinidad and Tobago.

SHIPPING REPORT

Plan to boost tanker earnings

BY OUR SHIPPING CORRESPONDENT

A RATHER novel solution to the problem of the world's underemployed tanker fleet was being floated in Washington last week, at the annual general meeting of Intertanko, the independent tanker owners association.

To help boost tanker earnings, Intertanko's general manager, Mr. Tormod Rafgard, suggested that instead of returning to the Middle East empty, after offloading their oil, tankers could be refilled with water which would be used for irrigation by Middle Eastern states.

Mr. Rafgard said studies in Norway have shown that crops could be raised from the water with no detectable chemical residue.

It was a practicable solution to the Middle East's water problems and much cheaper than the desalinisation plants now being constructed.

The largest supertanker can carry 2.1m barrels and according to Interbanks, the water could be sold for between 14 U.S. cents and 29 cents for a 42-gallon barrel. Kuwait and Abu Dhabi have shown sufficient interest in the idea to have invited Norwegian scientists to present their studies at water conferences in the Middle East later this year.

More generally, Intertanko members still seem resigned to a prolonged depression in their industry.

It is a sign of the times that Intertanko, whose members represent 80 per cent of the world's non-oil company fleet, is seriously considering extending membership to coal carriers.

Olympic gets $140m loans for Airbuses

By Michael Donne, Aerospace Correspondent

A GROUP of UK and European banks has agreed a $140m (£63m) loan to enable Olympic Airways of Greece to buy another three A-300-B4 Airbuses.

The Midland Bank International, together with Credit Lyonnais in conjunction with Banque Francaise du Commerce Exterieur, and the Deutsche Girozentrale (Deutsche Kommunalbank in conjunction with Kreditanstalt fur Wierderaufbau), are all involved in the deal.

These banks have put together a UK, French and West German syndicate to finance the deal, with Midland Bank acting as agent.

The export finance deal is being backed by the export credit agencies of the three countries.

Of the total sum, $28m is in the form of a Eurloan for 12 years, with a spread of ½ per cent over the London Interbank offered rate (LIBOR) for the first five years, ⅝ per cent for the next five years and ¾ per cent for the last two years.

The new deal increases Olympic's fleet of Airbuses to eight, with an option on a further two. A similar $120m financing package for Olympic was signed in February, 1980.

British Gas/U.S. deal

Parsons Corporation said its Ralph M. Parsons unit has won a contract to undertake design work on a $300m natural gas liquids fractionation plant to be built for the British Gas Corporation in Scotland, Reuter reports from Los Angeles. The value of the contract to Parsons was not disclosed.

Babcock unit Australia deal

By Maurice Samuelson

CONTRACTS worth nearly £15m for coal and mineral handling equipment have been won in Australia by Babcock-Moxey, a subsidiary of Babcock International.

The latest order, worth nearly £6m, is for coal stacking and reclaiming equipment for the Queensland coal exporting port of Hay Point.

Babcock-Moxey's Australian associate has also recently landed contracts for material handling machinery in New South Wales, Victoria and Western Australia.

The Hay Point machines will be able to stack 3,600 tonnes of coal an hour.

● Cray Research has reached agreement with Exxon Production Research of the U.S. to provide it with a Cray-1S computer system valued at $17m (£7.5m).

● Elcon Building Systems of Manchester has won a £1m contract to supply a factory to Mexico for the production of structural materials to use in the building of planned housing developments.

● J. Blakeborough, the Brighouse valve manufacturers, has won orders worth £2m for projects around the Gulf. The largest single order is from Korean contractors working at the Jubail industrial complex in Saudi Arabia and is for drum screens.

● Telepower Systems, jointly owned by Dawson Keith, Harmer and Simmons, and Tungstone Batteries, is to supply power equipment costing £1.5m to Sierra Leone, Hong Kong, United Arab Emirates and Uganda.

Mazda parts for Iran

By Richard C. Hanson in Tokyo

TOYO KOGYO, the maker of Mazda cars and trucks, said it will resume shipments of parts for the assembly of one-tonne pick-up trucks in Iran.

Assembly of the knock-down truck kits was suspended in May, 1980, as a result of the U.S. hostage crisis. By the end of April, the company plans to ship about 600 kits to restart production. At the peak in 1978, Toyo Kogyo was shipping about 1,400 truck kits per month to Iran.

Actual shipping plans remain uncertain because of the difficulties in arranging ship schedules to the region, which is still in a state of war.

Toyo Kogyo began assembling in Iran in 1972 using a locally-owned assembler called Mazda Car Manufacturing Company.

PARKINSON'S VISIT TO LILLE

All in a day's trade diplomacy

BY PAUL CHEESERIGHT

"BUSINESSMEN don't say to me 'Look at the strength of the pound against the dollar.' What they say is 'Look at the problems this is causing for us in France, or Germany, or the Netherlands. . . .' It's to strengthen this attitude that I'm here today," Mr. Cecil Parkinson, the Minister for Trade, told businessmen in Lille.

It was a bullish speech: certainly Britain has its problems, but it has its achievements too—look at the rate of exports, the decline of inflation, the more competitive nature of industry, and, back on the European theme, France and Britain take each other too much for granted.

Just the sort of speech to be expected in the north of France. Judicious flag-waving and an attempt to disprove the notion that, as Mr. Rex Baseden, President of the Northern Regional Council of the British Chamber of Commerce in France, put it, the two countries see each other as "the naughty boy in the classroom of Europe."

But there was more to come. Mr. Parkinson dusted off his French for the local television station, spoke warmly of the links between Britain and the Lille area, fended off a trick question about fisheries and posed on the bonnet of the Mini Metro—"best new car in Europe."

Then interviews with local journalists—yes, he was glad a French group had bought Talbot—no, the British car industry wasn't finished, there are good possibilities for specialised cars. In the background, an official muttered, "This is the slog of trade promotion we're seeing."

It was, indeed, the public face of the slog—the bid to create greater awareness of Britain in an area which takes nearly 10 per cent of the UK's total exports to France, around £350m out of £3.6bn—or more than the UK sells to Brazil each year.

But Mr. Parkinson's visit was an experiment, the first of what may be a series of one-day forays into the EEC, demonstrating that the Community should be what the advocates of UK membership have always maintained—an extension of the home market.

The symbolism is obvious. It is just as easy to go from London to Lille, quicker in fact, than going from London to Edinburgh for a day's business. And that is what happened last Thursday—visits to two factories, a hypermarket, the hypermarket chain's headquarters, a lunch and the interviews and back to London by dinner time.

Of course the process was made easier because of the assiduous guardianship of the French police, ruthless in clearing the way for the ministerial motorcade—"rather like a French politician canvassing in the area," as an accompanying official said.

But the Lille area was a good place to start these forays. It has many of the same problems of the Midlands and the north of England as recession has hit the traditional industries based on steel, coal and textiles.

It is, too, an area where there is a long-standing British presence, including Courtaulds, Rank Xerox, Reckitt and Colman, Unilever and Tioxide. Mr. Parkinson actually visited Brampton Renold, a subsidiary of Renold of Manchester. And there he heard that the company had stopped buying British steel for its industrial chain operations because it was 20 per cent more expensive than competitive supplies from France, and deliveries had been difficult.

It is precisely this sort of sales problem Department of Trade officials will be able to follow up later. They may also look into the lesson of Auchan. This is a hypermarket group, based on Lille, and now a major force in French retailing which has built up a £1bn turnover in 20 years.

Zealous Auchan executives told Mr. Parkinson that they expected a 37 per cent growth in sales this year, but virtually the only British goods they will buy directly will be whisky. And it transpires that although British consumer goods companies have made contact with the group often enough in the past they have never followed through.

The new Exports to Europe branch at the Department of Trade will now be able, on the basis of the Parkinson visit, to alert British companies to the Auchan opportunity.

Singapore air centre plan

BY OUR AEROSPACE CORRESPONDENT

SINGAPORE is planning to become a major centre for aircraft servicing and aircraft parts manufacture through the 1980s.

Mr. Goh Chok Tong, the Minister for Trade and Industry, said that the Singapore Government's plan is to attarct aircraft maintenance and repair companies capable of undertaking work for airlines serving Singapore, and for aircraft manufacturing companies overseas.

Officials of the Singapore Economic Development Board have identified areas for the development of the industry.

The Financial Times is organising a two-day conference in Singapore on September 24-25, on The Role of World Aerospace in the Development of South East Asia," coinciding with a five-day exhibition (September 23-27) on Asian Aerospace at Paya Lebar Airport, organised by ITF Pte., a subsidiary of Industrial and Trade Fairs of the UK and an associate company of the Times Organisation of Singapore.

World Economic Indicators

RETAIL PRICES

	Feb. '81	Jan. '81	Dec. '80	Feb. '80	Change over previous year %	Index base year
U.K.	207.6	205.7	204.5	184.6	12.5	1975=100
Japan	141.4	141.3	139.6	132.8	6.5	1975=100
	Jan. '81	Dec. '80	Nov. '80	Jan. '80		
France	174.9	172.8	171.3	154.9	12.9	1975=100
W. Germany	125.4	124.4	123.7	118.6	5.7	1975=100
U.S.A.	161.4	160.3	158.9	144.6	11.6	1975=100
Netherlands	139.2	138.2	138.0	130.0	7.1	1975=100
Belgium	141.8	140.6	140.2	132.6	6.9	1975=100
Italy	236.0	231.6	228.8	197.0	19.8	1975=100

Source: Eurostat (except Japan)

Chancellor attacks state industry price increases

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

NATIONALISED industry price rises—which are rising twice as fast as prices generally—was sharply criticised yesterday by Sir Geoffrey Howe, the Chancellor.

Sir Geoffrey told delegates to the National Consumer Congress in Swansea that the result of nationalised industries being isolated from competitive pressures was "all too often an excessive burden for the consumer and the taxpayer."

Price rises in the public sector were running at a rate of about 26 per cent over the past year. "Admittedly part of this rise is explained by the need to return to proper economic pricing. But in the private sector, where competition is much sharper, prices have risen much more slowly."

The Chancellor pointed out *that durable household goods'* prices had risen by only 6 per cent over the past year, and clothing and footwear by 3½ per cent.

Sir Geoffrey made clear his concern about nationalised industry price rises because of their effect on the overall retail price index, which now stood at about 12.5 per cent after reaching a peak of 22 per cent.

He promised that the Government's main aim remained "a lowering of the inflation rate."

"Certainly we must not be content with the 8 per cent inflation rate we expect to reach next year. This is not the kind of game in which we should be ready to settle for a draw."

Sir Geoffrey said the Government was tackling the problem of nationalised industry prices in three ways. "In the first case, we are acting wherever possible to expose the public sector to market discipline. In some cases, this means return*ing ownership of all or part of* an industry to the private sector."

The second measure was relaxing statutory monopolies, as in the telecommunications and postal services. The third approach was the independent investigation of the nationalised industries by the Monopolies and Mergers Commission under the new Competition Act.

The Chancellor's criticism of public sector price rises won strong support from the conference. But Mr. Michael Shanks, *chairman of the National Consumer Council*, attacked "the stranglehold of Government funding" which prevented nationalised industries from borrowing on the private market to finance long-term investment. He argued that the nationalised industries were "forced to use their monopoly power to exact excess profits which were then siphoned off into the Treasury."

Delegates yesterday endorsed several resolutions, including a campaign to halt the decline in public transport.

Employees to bear most of National Insurance rises

Eric Short reports on new contribution rates

EMPLOYEES earning £200 a week or more will have to pay an extra £4.36 a week from this week on their National Insurance contributions if they are in the state pension scheme or £3.59 a week if they are contracted out. The extra weekly cost to employers is £4.80 in the state scheme and £3.41 for contracted out employees.

Even those who earn £130 a week, about the national average, will have an additional £1.30 a week deducted if they are in the state scheme or £1.40 a week if they are contracted out.

The employers, however, will have to pay only 18p a week extra for their contracted-out employees and nothing more if they are in the state scheme.

The increased payments arise from two factors. All employees have had their contribution rates lifted by 1 per cent, and both employees and employers will have their N.I. contributions assessed on higher earnings limits.

The Government intends to raise an additional £1.44bn from employees and £971m from employers through National Insurance contributions in this new financial year. It represents the sharpest increase in contributions for many years.

Social security benefits are increased each November in line with inflation. At the same time, the Government, advised by the Government Actuary, reviews the financial position of the National Insurance Fund.

Contributions have to be increased in line with inflation to meet the higher benefit payments that have been revalued in line with inflation. This is usually done by lifting the earnings ceiling on which contributions are paid.

The complex procedure for determining the limits is laid down by statute. This year the Government has lifted the ceiling from £165 to £200 a week—almost the maximum permissible.

But this increase in the ceiling, by itself, would be insufficient to balance the NI Fund this year. There are other heavy calls on the finances of the fund.

First, the Government has decided to cut the Treasury supplement made to the fund from 18 per cent to 14½ per cent of the combined contributions from employees and employers. It has also decided that employees alone will make up this reduction in subsidy.

Second, the rise in number of unemployed has not only sent the cost of unemployment benefit soaring but has also led to a reduction in overall contribution income, since the unemployed do not pay NI contributions.

Even with these increases, the NI Fund is only just expected to balance. The Government Actuary, on Treasury instructions, assumed an average of 2.3m unemployed this year, an assumption that looks likely to be too low. A fresh estimate, however, is expected shortly.

The final 1 per cent rise in contribution rates has nothing to do with the NI Fund. A small part of the NI contribution is paid over to the National Health Service — a somewhat illogical feature since the money so collected covers only a fraction of the finances of the NHS.

Sir Geoffrey Howe, the Chancellor, in announcing these increases in his November mini-budget, came under severe attack from the Labour Opposition on the grounds that he had effectively raised taxation. But surprisingly, the attack concentrated on the higher cost to employers.

The self-employed are also having to bear their share of the increased burden, but they are not being asked to meet the higher unemployment benefit cost since they are not entitled to unemployment benefit.

The flat rate weekly Class 2 contribution, paid by all self-employed, is lifted 90p to £3.40.

In addition, the Class 4 contribution rate is increased from 5 to 5½ per cent of annual profit between £3,150 and £10,000.

The effect of the new range of increases is shown in the accompanying table.

Weekly earnings £	1980/81 weekly contribution £	1981/82 weekly contribution £
NON-CONTRACTED-OUT		
Employee		
130φ	8.79	10.09
200	11.14	15.50
Employer*		
130φ	17.84	17.84
200	22.40	27.40
CONTRACTED-OUT		
Employee		
130φ	6.11	7.51
200	7.58	11.17
Employer*		
130φ	13.02	13.20
200	14.21	19.62
SELF-EMPLOYED		
Annual Profits £	1980/81 annual contribution £	1981/82 annual contribution £
6,700	332.50	380.92
10,000	412.50	570.67

* Includes national insurance surcharge (3.5 per cent) and Redundancy and Maternity Pay Fund allocation (0.2 per cent).
φ i.e. Approximate average weekly earnings of all full-time males.

Textile closures 'will end soon'

BY RHYS DAVID

BRITAIN'S textile industry is likely to reach the end of its present phase of rationalisation and closures shortly, and the survivors will be able to look to a gradual profit recovery, says the latest sector review by brokers Henry Cooke, Lumsden.

The survey sees the emergence of concern among retailers at over-dependence on overseas sources of garment supply.

"More thoughtful retailers may perhaps be looking with some concern at the UK production base, which now seems likely to survive the next decade, and calculating just what claims upon this reduced capacity they each may have," it says.

As a result, 1980-81 could represent a swing of the pendulum for textiles rather than the beginning of an irreversible drift to extinction.

Mr. John Davenport, the author of the report, however, forecasts a continued long-term increase in foreign textiles reaching the UK market, with no real evidence that import restrictions will be tightened or that UK competitiveness can be improved sufficiently to reverse long-established trends.

In garment making UK companies can improve their position and continue to participate in the market by increasing imports of finished products. Fabric making is likely to remain vulnerable, however, over the longer term and to be *viable only in very special* situations, the report concludes.

In a bid to recapture part of the UK market held by cheap imports, Stott and Smith of Bolton, a Vantona subsidiary, is launching a new range of low-priced towels. The company is one of the leading UK towel producers but has concentrated *at the top end of the market on* high-quality, plain towels.

The new range under the brand name Yeoman will compete with lightweight, patterned towels being supplied to the UK *from Portugal, Brazil and other* sources and will sell at £1.50 to £1.75 as against £3 for the higher-quality products.

Stott and Smith says it has completely reorganised its production facilities at Bolton to accommodate the new range.

Bass and Tuborg end lager agreement

FINANCIAL TIMES REPORTER

BASS, THE largest UK brewer, and the United Breweries, the Danish brewing group, are to end their agreement over Tuborg lager within the next six months.

Bass has made Tuborg under licence for the past five years and says the franchise is being phased out by mutual consent. Tuborg is brewed in four Bass breweries. Production will continue however, in Belfast.

Tuborg produces two lagers for sale in the UK, Tuborg Gold and Tuborg Pilsner. Bass intends to develop its existing lagers, and Danish beer accounts for a small amount of total sales by Bass.

Tuborg International says it wants to market the lagers inde*pendently in the UK to increase* sales and to end limitations because the lager is only stocked by Bass.

Tuborg has recently stepped up its activities outside Denmark *and says the decision to end* the BASS agreement is part of its international marketing strategy.

The company has signed a deal with a Hungarian brewery to produce lager under licence, which should become effective next year.

● Beer production in the UK rose in February for the first time since last spring, mainly as a result of pre-Budget stocking up. Yet brewers remain gloomy about sales prospects.

According to the Brewers' Society, February production was 3,218,797 bulk barrels, an increase of 7.3 per cent on February 1980 when 3,000,602 bulk barrels were brewed.

February's figures are seen as distorted by the brewing industry which remains pessimistic about an upturn and discounts any real recovery until the economy improves.

Worst year for metal packaging industry

BY WILLIAM HALL

LAST YEAR was the worst ever for the metal packaging industry, which employs 30,000 and is the biggest sector in the packaging industry.

The combination of the steel strike, bad weather which depressed *soft-drink sales*, and massive destocking as a result of the recession, led to a slump in demand, Mr. Alec Hayward, chairman, told the annual *general meeting of the Metal Packaging Materials Association* in London.

About 3,000 jobs, or one-tenth of the work force, were shed. The industry has been on a four-day week for the past six months, with some plants on a three-day week. A quarter of the workforce was without work in the steel strike.

The industry has an annual turnover of almost £1bn and uses 1m tonnes of raw materials, *mostly tinplate*.

Metal cans increased their share of the beer market last year and demand for pet food cans was also buoyant. But in the important soft-drink market, metal cans met increasing competition from bottles made from the plastic Polyethylene Teraphthalate (PET). PET bottles doubled their market share of the carbonated soft-drink market.

Metal packaging, which includes everything from beer cans to aerosols and oil cans, accounts for 27 per cent of the value of all UK packaging material. Fibreboard accounts for 18 per cent, plastic 15 per cent, and glass 11 per cent.

Rationalisation at Bowater

FINANCIAL TIMES REPORTER

BOWATER CONTAINERS, Britain's second biggest corrugated case maker, has completed a major rationalisation of its UK production.

Over the past 12 months it has closed two of its nine case making plants at Stevenage, Herts, and Whiteinch in Glasgow, and has reduced the number of corrugating machines from 12 to nine. In addition, it has established five management regions to replace the seven former areas.

The intention is to reduce wasteful competition between company plants.

Bowater Containers has been reviewing its involvement in case making for some time. It believes the overall market has stopped growing, so it has restructured operations to concentrate on areas of the market which still have growth potential and profitability.

The industry is dogged by considerable over-capacity, exacerbated by the recession.

As part of its new strategy, Bowater plans to build a heavy-duty board factory close to the Midlands to be operational by 1982. And the Manchester corrugation plant is being *extensively modernised*.

● The price of kraft liner, which is used to make corrugated cases, is being increased by 6 per cent.

Big growth in fruit juice sales

By Richard Mooney

FRUIT JUICE continued as one of the grocery industry's fastest growing sectors last year.

Sales reached £170m, up 45 per cent from 1979, said a report by Adams Foods, whose Just Juice brand is the market leader.

Orange juice continued to dominate the market, its share rising from 63 per cent to 69 per cent. There was more demand for apple, 7 per cent of the market against 4 per cent in 1979.

Grapefruit continued to lose ground relatively, down to 19 from 26 per cent, and pineapple juice was 3.5 against 4 per cent.

The overall market is expanding even faster this year, Adams Foods claims, with sales 50 per cent ahead of 1980 levels.

There is clear consumer preference for paper packs as against glass and tin containers. By January this year paper packs accounted for more than 70 per cent of the market, glass for 15 and tins for 5 per cent.

Consumers prefer these packs because of their convenience, lightness, absence of breakage risk and easy disposal, while retailers appreciate their long shelf life, potential for mass display and lack of refrigeration requirement.

"Juice drinking is no longer a specifically breakfast-oriented habit," Adams Foods said. It was regarded as a general drink alternative to tea, coffee and squashes.

The company expects significant growth potenital in the catering sector.

Electricity Council rejects call for further price cuts

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE ELECTRICITY COUNCIL, facing continuing controversy over energy costs to industry, says it has done all it can to cut prices and that any further concessions are a political decision for Ministers to make.

The move comes after renewed criticism of electricity prices by industrialists who have dismissed as "totally inadequate" concessions announced in last month's Budget.

The Government has hinted at the possibility of selective help for industries hardest hit by high energy prices, but no firm decisions have been made.

The concessions announced in *the Budget involve greater* pricing flexibility towards large customers by the supply industry and the introduction of a new "load management" system allowing companies price discounts in return for reducing their power load at short notice.

The measures could reduce by 4-8 per cent the price rises facing bulk industrial electricity users this year. To allow for this, the Government has increased the supply industry's external financing limit by £45m.

However, Mr. Ray Orson, the Electricity Council's commercial board member, said yesterday the £45m was not a Government subsidy but money the supply industry would have to borrow and eventually pay back.

"We are concerned about industry's electricity costs—after all, these include some of our largest customers—but we have our costs to cover, as they *have theirs*," he said.

He argued that the council faced higher unit costs than some Continental utilities, notably in France where the electricity system contained a higher proportion of cheaper nuclear and hydro-electric capacity.

Debate on ICL loans plan

BY GUY DE JONQUIERES

THE GOVERNMENT will seek Parliamentary approval today for its plan to issue guarantees for up to £200m in bank loans to ICL, the financially-troubled large computer manufacturer.

Mr. Kenneth Baker, Minister for Information Technology at *the Industry Department*, is expected to tell the Commons that the support is needed because the Government depends heavily on ICL computers for its administrative functions.

But it is thought unlikely he will shed new light on the reasons for the sharp deterioration in ICL's performance since last summer or outline any plans to secure its recovery.

In the City and the computer industry, the guarantees are widely considered as a holding operation, and success will be assured only if steps are also taken to restructure its operations and reorganise its management.

The Industry Department does not appear to expect any significant opposition to the *guarantee proposal, on which a* 90-minute debate has been scheduled for this evening.

The inspectors who need no invitation

David Churchill looks at the power of the European Commission to investigate companies without their consent

ANY COMPANY in Europe could find an inspector from the European Commission on its doorstep one morning, *armed with the legal power of* entry and search. Such powers are buried away in Article 14 of Regulation 17 in the legal provisions implementing the Treaty of Rome.

Comprehensive powers of investigation—far greater than those available in most member states—are provided to enforce Articles 85 to 89 of the Treaty of Rome, which aims to improve business competition in the Community.

Article 14 gives the Commission's inspectors the following powers:

1—To examine the books and other business records;

2—To take copies of or extracts from the books and business records;

3—To ask for oral explanations on the spot;

4—To enter any premises, land and means of transport or undertakings.

Although the company to be investigated is not informed of the visit, the Commission is obliged to notify in advance the relevant authority in each country which then accompanies the Commission's inspector. In the UK, this would be an official of the Office of Fair Trading.

Inspectors usually spring surprise visits as soon as a company's premises are opened, so the investigations have become known as "dawn raids."

The Commission also has powers, under Article 11 of Regulation 17, to request information from companies about allegations of certain trading practices being in breach of the EEC's competition laws.

A number of British companies have been investigated in this way and several have been fined by the Commission. (Such fines cannot exceed 10 per cent of the company's annual turnover.)

However, if the Commission's *competition officials have* reason to believe that information may not be voluntarily forthcoming—or that evidence could be destroyed if the Commission's interests were known—it can then decide to use the more stringent powers under Article 14.

Most companies are probably unaware of their existence, since the Commission did not use these tougher powers in the UK until June 1979. Moreover, few of the dozen companies investigated in this way are willing to talk publicly about what happened.

The exception was National Panasonic, whose Slough offices were raided by a Commission inspector on June 29, 1979. Similar raids were carried out at the same time on five other British audio equipment manu*facturers* and 13 other concerns.

National Panasonic decided to appeal to the European Court as a test case. The company argued that, under the regulations, the Commission could only carry out a surprise raid after it had first given the company the opportunity to provide the information voluntarily.

The Commission, however, argued before the Court that *Article 14 did* not encompass a two-stage procedure of voluntary information being sought before the surprise raid. It argued that giving prior warning in certain cases would enable a company to hide or destroy the relevant documents.

In a judgment given in June last year, the European Court ruled that the Commission was justified in initiating surprise raids to verify information. The Court also ruled that such raids did not infringe the company's right to privacy.

ARE YOU RELIABLE ENOUGH TO OWN A VOLVO?

If you're in the habit of blaming your car for your own unreliability, think twice before buying a Volvo.

As a Volvo owner you'll find the rules are very different.

Excuses that used to be met with sympathy are greeted with frank suspicion.

Even old favourites like:

"Sorry I'm late, the car wouldn't start."

Not terribly convincing.

The Volvo was designed for Swedish winters where temperatures can dip as low as minus 40°.

All the electrical components are fastidiously protected from the weather.

(We once turned a fire hose on to a Volvo engine for 10 minutes. Even then the car started first time.)

As an excuse for being late, not starting is definitely a non-starter.

"Sorry I missed the meeting, the car broke down."

Oh dear.

Did no-one tell you about all those surveys naming the Volvo as one of the most reliable cars on the road?

Did you not know about Volvo's legendary quality control checks?

(Each weld on the Volvo's body has to be strong enough to carry the weight of the entire car.)

And you've obviously never heard of Mr Sowerby and Mr Langley.

They recently drove a Volvo 245 round the world – breaking the record by 28 days.

They covered 26,893 miles in 74 days and in their own words the Volvo 'ran faultlessly.'

After that epic journey, who's going to believe you had a little trouble on the by-pass?

"You won't believe this, I got blocked in."

They won't.

Few cars are more manoeuvrable than the Volvo. Its turning circle of 32 ft is only slightly larger than that of a Mini.

For 1981, we've even made the car shorter by re-designing those big bumpers.

So though the Volvo will get you out of a tight corner, we can't say the same for your excuse.

"I'm sorry, I locked the ignition keys in the car."

A good try.

It's happened to all of us – but not in a new Volvo. Last year we introduced a warning buzzer that sounds off if you open the door with the keys still in the ignition.

And there's worse to come.

It also buzzes if you've forgotten to turn off the lights–so the flat battery excuse will fall a little flat, too.

What it all boils down to is quite simple. You're left with only two choices.

Become a more reliable person or buy a less reliable car.

THE 1981 200 SERIES VOLVOS START AT £6657 (DELIVERY & NUMBER PLATES EXTRA). MODEL FEATURED IS THE 244 GLE, WHICH COSTS £8853. FOR THE 1981 VOLVO INTRODUCTION PACK, WRITE TO: DEPT. FT 13, VOLVO CUSTOMER SERVICES, HIGH WYCOMBE, BUCKS HP12 3PN. SALES TEL: HIGH WYCOMBE 33444.

VOLVO. A CAR WITH STANDARDS.

Bank optimistic on money supply

BY DAVID MARSH

THE UPWARD pressure on Government borrowing resulting from the recession should now slacken as lower interest rates help to put the economy on the road to recovery, says Barclays Bank in its latest financial survey.

The severity of the fiscal measures announced in the Budget should allow the 1981-82 money supply targets to be achieved without difficulty and permit significant reductions in interest rates, the bank says.

Another substantial overshoot in public sector borrowing is less likely in 1981-82. But borrowing pressures in some areas like public corporations still look to be upward and these cloud the Government's financial strategy, the bank says.

Since the Government intends to raise a further £3bn through National Savings, net gilt-edged funding could be around £3bn less than in 1980-81.

Substantial sales of gilt-edged stock achieved since the Budget point to good money supply figures in March and April, although the effects of the civil service strikes on Government revenue may make the outturn somewhat worse, Barclays says.

Bank lending to the UK private sector is expected to be much lower in 1981-82, partly because of the unwinding of the "corset" but also because corporate loan demand has weakened under the impact of heavy destocking.

Analysts split on timing of recession trough

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CITY ANALYSTS don't agree on the timing of the trough of the recession and the extent of economic recovery.

In their latest monthly analysis, brokers Phillips and Drew argue that the tax increases in *the Budget will delay recovery* until late 1981. Weakness in consumer spending, continued destocking and falling exports may lead to a drop of 3 to 3½ per cent in real Gross Domestic Product in 1981 compared with last year.

The brokers say that while the trough in the quarterly output path may be reached in the current quarter, *any growth* later this year will be extremely weak.

On present policies, even this slight recovery may peter out during 1982. Adult unemployment is likely to rise to 2.85m by the end of this year (a *"headline" total including school* leavers of over 3m) and to increase to 3m plus by the end of 1982, Phillips and Drew say.

In marked contrast, brokers de Zoete and Bevan argue that the economic recovery is now materialising and that the monetary indicators suggest this improvement will be sustained.

According to de Zoete and Bevan, these indicators also suggest unemployment could reach its cyclical peak later this year, *some six months earlier than* had appeared likely.

In another new review, brokers Capel-Cure Myers argue that the likely flows of funds in the economy point towards lower money market rates and gilt yields over the next year. Minimum Lending Rate is forecast to drop from the present 12 per cent to 9 per cent by the *end of this year.*

Law Society urges new system for complex trials

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE USE of assessors or "specialist" juries should be considered for complicated commercial fraud or conspiracy trials, suggests the Law Society, the solicitors' governing body.

The Society does not want the principle that a man is entitled to be tried by his peers weakened. But, it says, there are an increasing number of cases, particularly those involving fraud or conspiracy allegations, that are outside the experience of the ordinary juror.

In the technical fields of business expertise, an accused person's "peers" could be members of his own profession, the Society says.

It says long and difficult cases could be tried by a judge, assisted by expert advice from assessors.

The recommendation appears in the Society's memorandum to the *Lord Chancellor's Department* and the Home Office on criminal procedure.

The Society would also like to see a bolder attitude adopted by magistrates hearing applications for the committal of accused people for trial at Crown Courts.

Magistrates could reduce the number of cases sent to Crown Courts, where many are stopped without the defence being called, by exercising their right to refuse to commit.

They should have the same discretion as a judge to decide whether a case is strong enough to go before a jury, the Society says.

It also recommends reducing the burden on magistrates by extending the fixed penalty system, removing non-criminal cases, such as licence offences, and appointing part-time stipendiary magistrates.

Farmers reap a crop of complaints

By Lisa Wood

THE POPULAR image of Britain's farmers being jovial, red-faced friendly characters was given a knock this weekend by The Ramblers' Association.

For, according to Mr. Walter Tysoe, president of the association, walkers are shouted and sworn at by farmers, and even shot at.

Bulls, he said, roamed loose where by-laws forbade it, as did fierce dogs and ferocious Welsh rams.

Mr. Tysoe, addressing the association's national council meeting at Matlock, did admit it was not easy to generalise about farmers but said: "It is clear that the walker is received by most farmers with no more than begrudging acceptance."

But what of the ramblers' attitude towards the farmer? Mr. Tysoe said members of *the association* had always been urged to show "consideration and respect" for those who lived and worked *in the countryside.*

Indeed, ramblers were asked to give positive assistance — one leaflet urged ramblers to look out on lonely walks, for sheep which needed help.

Given the hostile attitude of many farmers Mr. Tysoe urged that ramblers should not return like with like nor "carry a bomb in your rucksack."

Instead, he preached co-operation. "Isn't it time the *hand of friendship* was accepted more often, and the same consideration and understanding returned to those whose only wish is to walk quietly in the countryside, gaining that love and knowledge, that understanding and appreciation that is best, and perhaps only, experienced by those who *travel on foot.*"

Child Minister plea

THE APPOINTMENT of a *Minister for Children* was called yesterday in an effort to stop youngsters suffering neglect, handicap and needless death.

Mr. Brian Jackson, National Children's Centre chairman, also stressed the need for a children's ombudsman, and said no government had ever had a policy for the young.

Price rise status

The UK had the fourth highest level of consumer price increases among European Economic Community members in the six months to January, according to the Department of Trade.

The highest rate of consumer price increases were recorded by Italy and Greece, the lowest by the Netherlands and West Germany.

Savings issue

EVERYONE aged 50 and over is eligible from today to buy the second index-linked issue of National Savings Certificates. The reduction in the qualifying age from 60 to 50 was announced by the Chancellor in his Budget Speech.

TUC starts eight-day protest campaign

BY CHRISTIAN TYLER, LABOUR EDITOR

EIGHT DAYS of marches, demonstrations and meetings organised by the TUC in protest at Government policies got under way at the weekend.

Many trade union activists are expected to take time off work, although the protest is not designed to include strikes.

TUC leaders have decided that a call for industrial action would be counter-productive at a time when Government policies are already under severe pressure from industrialists and Conservative backbenchers.

The main events today are a transport workers' lobby of Parliament and a rally in Birmingham this evening to be addressed by Mr. Michael Foot, Labour Party leader, and Mr. Len Murray, TUC general secretary.

Further lobbies of Parliament are planned tomorrow by northern trade unionists, and on Wednesday by unions in the south-east, when there will also be a printworkers' march through London.

The programme is the biggest organised by the TUC for many years and follows a less-than-successful "day of action" last May. Its main theme is unemployment with emphasis on particular industries such as construction, textiles and the public services.

Yesterday the theme was unemployment among women. Mrs. Marie Patterson, chairman of the TUC women's advisory committee, said at a conference in Newcastle that *their job opportunities were disproportionately* damaged by the recession and Government jobs cuts.

"This Government is attempting to drive women back into the home," she said.

Centres of activity are London, Newcastle, Cardiff, Birmingham, Liverpool, Nottingham, Bradford, Durham and Belfast. Scottish trade unions are predicting that there will be a virtual general strike on Wednesday afternoon.

Post productivity vote

BY NICK GARNETT, LABOUR STAFF

THE LOCAL productivity schemes operating in the postal service are to be extended to many more offices.

The Union of Communication Workers voted at a special delegate conference at the weekend to accept the Improved Working Methods (IWM) schemes for future use on a voluntary basis.

Delegates instructed union negotiators to seek some technical changes in the schemes, but this will not affect the Post Office's ability to try to improve *postal efficiency. IWMs already* operate in more than 200 offices.

Union officials hope the decision will ease this year's pay negotiations. Postmen have been offered 6 per cent.

The union expects the offer to be improved this week to at least 7 per cent, but this would still be unacceptable.

Further room for manoeuvre would be available under any Post Office proposals to change this group's settlement date of April to July, the pay anniversary date used by all other groups of postal and telecommunications workers.

Privacy guidelines sought

BY OUR LABOUR EDITOR

GUIDELINES to trade union negotiators on how to secure the privacy of computer records on employees are being sent out *by the Association of Professional*, Executive, Clerical and Computer Staff.

APEX said yesterday its advice was a response to the Government's decision last month not to go ahead immediately with legislation.

The union suggests five points to be incorporated into agreements with employers: unions should be told what information is stored and how it is used; individuals asked for information about themselves *should be told what it is for;* employees should have the right to see and correct their own files, adding their own version in case of dispute; information collected for one purpose should not be used for another without permission; and information should not be given to any outside body unless that is required by law.

Unions advised on jobs

BY OUR LABOUR EDITOR

TRADE UNIONS have a much *greater job to do in defending* workers against unemployment, the International Metalworkers' Federation says. It notes the reverses suffered in the past three years by social-democratic and labour parties.

In a report published today for its 25th world congress next month in Washington DC the metalworkers' federation says economic convulsions have followed the dislocation of energy prices and unforeseen problems have been thrown up by the rapid advance of new technology.

Labour parties in *Britain*, France, Sweden, Australia and Portugal had suffered reverses in the past three years. "We have shown that we are not ready to stand on the sidelines as the very nature of work changes at a rapidly-increasing pace," the International Metalworkers' Federation says.

The Washington congress will be *attended by some* 1,000 trade union presidents and general secretaries representing 14m engineering workers in the non-Communist world.

Steel productivity rises after 24,000 redundancies

John Lloyd reports on how BSC is beginning to catch up with its European competitors

MORE THAN 24,000 steel workers in South Wales have been made redundant in the past two years, according to the British Steel Corporation.

The redundancies were described by Mr. Peter Allen, Steel Products group director of operations, as "the biggest restructuring of an industry in the country in the time taken". The group's productivity has almost doubled in the two years.

The group's big Welsh plants —Llanwern and Port Talbot— show rates of 4.6 and 5.7 man hours per tonne, respectively, on a rate of output of 3.5m tonnes of liquid steel per annum. Its Scottish plant, Ravenscraig/Gartcosh, shows a rate of 5.9 mhpt, giving a group average of 5.4 mhpt.

The figures compare with rates of about 9 mhpt at the end of 1979, and compare favourably with good European levels.

They still lag behind the best European levels, and standard Japanese performance.

Managers and workers in South Wales believe this performance gives the group a fighting chance of retaining the two big Welsh plants when progress on the corporate plan is reviewed this summer. But *it is recognised that their fate* depends largely on world demand for steel, which remains weak.

The redundancies were achieved in two stages. The first, known as Slimline I, was adopted by the BSC board in December, 1979, and was by far the biggest.

It cut 20,000 jobs out of the Welsh division, including the closure of steel-making at Shotton. It was, for the Port Talbot and Llanwern plants, the least severe of four options considered: the others included the closure of either one or the other. Under Slimline, they lost between them 11,337 workers.

The 14-week strike over pay took place during this phase.

Mr. Joe Lewis and Mr. Allen Williams, worker-directors on the group board, both believe the workforce changed its attitude after the strike.

The second period, known variously as Slimline II, the Corporate Plan or the MacGregor Plan (after the BSC chairman), followed the Board's decision in December last year to cut output in BSC by a relatively small 600,000 tonnes—from 15m tonnes to 14.4m tonnes—but employment by 20,000 workers.

This meant a reduction in strip products manpower of 6,540, but an increase in manned capacity at Port Talbot and Llanwern from 2.8m tonnes to 3.4m tonnes.

This programme is nearly complete. Nearly 4,500 jobs have gone from the Welsh works. From evidence presented by BSC last week, it is succeeding.

Working practices have been revolutionised. This, it is claimed, is the main result of the strike's salutary warning. Workers agreed not only to further reductions in manning, but to previously unthinkable breaches in demarcation.

Workers, worker-directors and managers at Llanwern, say craftsmen, process workers and even managers interchange functions when it is called for.

Mr. Tony Sexton, an operator in the mill, where white-hot steel ingots are pounded into slabs, said the work is harder than he has known in 19 years, but that "it is far better to be working than sitting on your

The obvious question is: If and when demand goes up, will over-manning come in once more?

Mr. Bill Harrison, Llanwern managing director says not: "We will have to increase manning to increase output because we are working to 100 per cent of manned capacity. But with 10 per cent more manning, we can get 40 per cent more output."

Both worker-directors concur. Mr. Williams said: "The men who are here now want to be here; and there's a new generation who will get used to better working practices."

This much is visible both from the figures and from inspection—the two-thirds empty car parks, and the often empty production halls, with workers seated behind control panels in steel and glass booths.

Sales are going up slightly, helped by the success of the BL Metro, for which Llanwern supplies steel. Morale appeared buoyant enough among managers and worker representatives: *shop floor workers are said to* share in this. At least they are acquiescent.

But there is a caveat. South Wales is a model rather than the norm in BSC. The main steel union, the Iron and Steel Trades Confederation, has refused to accept the Corporate Plan at national level, though its Welsh and other regional officials have.

Most importantly, European steel prices remain too low for anyone to make a profit, especially a corporation which is fighting a strong pound. The fear of workers and managers in South Wales is that their considerable achievements will not be enough, because they have been made too late.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	Glass and Glass Technology Exhibition—GLASSEX (0378 77966) (until April 8)	NEC, Birmingham
Apr. 7-9	Business Show (0272 312850)	Guildhall, Plymouth
Apr. 8-9	EIA Engineering Exhibition—ENGEX (0466 63390)	Sandown Park, Esher
April. 8-9	1981 Fire Protection Association Exhibition (0277 74290)	Connaught Rooms, WC2
Apr. 9-19	Evening News Ideal Homes Exhibition (031 556 5080)	Ingliston Showground, Edinburgh
Apr. 11-21	Birmingham Motor Show (0602 51202)	Bingley Hall
Apr. 12-13	British Pet Industry Exhibition (0223 36858)	Exhibition Centre, Harrogate
Apr. 15-20	Ideal Home Exhibition (0202 20327)	Guildhall, Southampton
Apr. 17-25	International Motor Cycle Exhibition (0203 27427)	NEC, Birmingham
Apr. 21-24	International Fire, Security and Safety Exhibition and Conference—IFSSEC (01-388 7661)	Olympia
Apr. 26-29	Incentive Marketing and Sales Promotion Exhibition (01-688 7788)	Metropole Exbn. Hall, Brghtn
Apr. 27-May 1	Storage, Handling and Distribution Exhibition (01-446 2411)	Earls Court
Apr. 28-30	Leather and Associated Trades Show (01-407 1582)	NEC, Birmingham
Apr. 29-May 17	International Ideal Homes Exhibition (021-705 6707)	NEC, Birmingham
May 2-5	London International Building Products and Services Exhibition (01-540 1101)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Spring Fair (01-935 8200) (until April 12)	Jeddah
Current	International Exhibition of Women's Ready-Made Clothing and Boutique (01-439 3964) (until April 8)	Paris
Apr. 6-10	Instruments and Measurements Exhibition (01-874 6034)	Stockholm
Apr. 7-11	International Food Fair, Hotel, Restaurant and Catering Fair and Food Technical Exhibition (01-540 1101)	Copenhagen
Apr. 7-10	World Fabric Fair (01-981 6969)	Geneva
Apr. 8-15	Audio Visual Communication Exhibition—MEDIA-VISIE (01-486 1951)	Utrecht
Apr. 9-17	Spring Fair (06833 4371)	Sharjah
Apr. 12-14	MODEXPO 81—International Ladies Fashion Fair (Zurich 013115055)	Zurich
Apr. 21-25	Printing and Allied Industries Fair—GRAFIVAK (01-228 2880)	Amsterdam
Apr. 22-28	International Spring Fair (01-486 1951)	Zagreb
Apr. 25-26	International Collectors Fair—ISAB (01-540 1101)	Berlin
Apr. 29-May 3	International Forestry Fair—EUROFORESTA (01-458 4860)	Verona
Apr. 28-May 3	International Exhibition of Contemporary Arts—SINVAL (01-486 1951)	Bilbao
May 19-22	International Energy Management Exhibition and Congress—ENERGY (0727 63213)	Essen

BUSINESS AND MANAGEMENT CONFERENCES

Current	Royal Institute of International Affairs: Western Economic Relations with Eastern Europe (01-930 2233)	Chatham House, SW1
Apr. 6-10	MSS Computer and Business Consultancy: *O and M* in Computer Environment (0903 34755)	Worthing
Apr. 7	Oyez-IBC: Tax and the Family Business (01-242 2481)	Hilton Hotel, W1
Apr. 7-8	BIM: Management Accounting for Non-Financial Managers (01-405 3456)	Parker Street, WC2
Apr. 8-10	IGC: Automated Pagination Systems (Telex 16183)	Amsterdam
Apr. 9	Henley Centre for Forecasting: Company Employment Planning—coming out of recession (01-353 9961)	London Press Centre
Apr. 10-13	IPM: Strategies for Industrial Relations in a Recession (Oxford 735422)	Oxford
Apr. 13-14	Airfinance Conference: Aircraft Financing Methods (0376 62262)	Plaza Hotel, New York
Apr. 13-15	University of Leeds: Economies in Transport Through Energy Conservation (0532 35036)	Leeds
Apr. 14	The British Management Data Foundation: Conference on Automation—The World Scene, Trends and Opportunities (01-839 2798)	Bowater Centre, SW1
Apr. 15	The Henley Centre for Forecasting: The Budget and Business—Assessing the Outcome (01-353 9961)	Georgia
Apr. 21-22	MSS Computer and Business Consultancy: Accounting for Non-Accountants (0903 34755)	Worthing

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

هكذا في الأصل

Building and Civil Engineering

£32m bank in Cairo

CEMENTATION International (Trafalgar House Group) has been awarded a £32m contract for the construction of a 26-storey building in Cairo for Bank Misr.

The company said it reckoned it was in the running for the Bank Misr project when the technical difficulties of building a 26-storey structure in completely waterlogged ground were revealed by the consultant, Ove Arup.

To construct the required 9-metre deep basement, Cementation says it plans to pump out the water and return it to the surrounding soil via a re-entry well system, which will avoid upsetting the ground hydrostatic balance and disturbing the buildings nearby.

Bored piling will be undertaken by Cementation Piling and two other Trafalgar House companies, Cementation Ground Engineering and T. H. Engineering Services are to be responsible for the design of ground stabilisation and temporary works.

Architects for the scheme are Siefert International while Widnell and Trollop are the quantity surveyors.

£5¾m Cubitts award

A CONTRACT worth more than £5¾m to provide accommodation for the School Examinations Department of the University of London in Russell Square, adjoining the Senate House, has been awarded by the University to Holland, Hannen & Cubitts Construction (London) a member of the Tarmac Group.

Cubitts built the Senate House during the 1930s but the contract for the building then planned on the Russell Square frontage, for which piling and the construction of retaining walls had been completed, was stopped in 1939 as a result of the Second World War.

Under the new contract about 11,900 square metres of accommodation will be provided, generally five storeys in height, plus a basement with one side connected to the Senate House.

Architects are Adams, Holden and Pearson in consultation with Professor Gabriel Epstein.

Lovell to build a hospital

A 38-BED private hospital is to be constructed at Solihull, Birmingham, under a £1.3m design and build contract awarded to Y. J. Lovell (Midland) by a consortium comprising Y. J. Lovell (Holdings), Seltabart Clinics, a group of 39 medical consultants and Solihull Independent Hospital. Final cost of the hospital will be about £2m and additional long-term finance is to be provided by the Midland Bank.

Work is due to start on the Damson Parkway site early this month and should be completed about June next year. Admissions are expected to start about the end of next year.

Located near the centre of Solihull, the hospital will be situated on 2½ acres of land in a rural setting for which the Metropolitan Borough of Solihull has granted a 125-year ground lease. The building will comprise facing brick wall with cavity insulation on strip foundations and a pitched tile roof. Internally there will be reinforced concrete slab floors and brick and blockwork partitioning.

The architects are Stone Toms and Partners.

Bank staff college

AN EXTENSION to the National Westminster Bank staff college at Heythrop Park, Chipping Norton, Oxon, is to be built by Coleman Contractors (Oxford) under a contract valued at £5.6m. Work on the 25-month contract is due to begin on April 13. It involves the building of a four-storey block in reinforced concrete with natural stone cladding, a conference theatre, an administration block, dining facilities and about 100 bed-sitting rooms.

The architects are Horsley Currall and Associates, Stafford, Burns, chief architect of the *National Westminster Bank* in association with Brian J.

Mixed bag for Norwest Holst

CONTRACTS totalling over £3.8m have been awarded to Norwest Holst companies. Of these, two worth over £2.2m have gone to Norwest Holst Southern. The first is an order worth just over £2m from St. Martins Property Corporation *for new offices in* Richmond, Surrey. The L-shaped development will stand over a British Rail cutting, which will be fully bridged over with precast concrete units to form a deck between two existing road bridges. Completion is due in November next year. The architects are Holt White and Partners.

The second of these contracts, worth £191,450, has been awarded by the Property Services Agency for an office *improvement scheme on the* first and second floors and basement of the East Wing, Romney House, Marsham Street, Westminster, SW1. Work on the four-month contract has already begun. The *company is now completing a* £2.5m contract on the remaining floors of Romney House.

Two contracts have been awarded to Norwest Holst Civil Engineering. The first is a £325,000 design-and-construct order from *IMI* Yorkshire Imperial for a pump house and ancillary works at Kirkby, Merseyside. Work on the 30-week contract has already begun.

The other is a £57,000 contract awarded by the Usk Division of the Welsh Water Authority for emergency work on the River Ebbw flood alleviation scheme at Risca, Gwent. Work on the four-month contract is now in progress.

Norwest Holst Northern has won a £583,000 contract *for the* design and construction of Redcar Leisure Centre, including alterations to existing facilities. Completion is due next December.

Norwest Construction has been awarded two contracts totalling £261,000 by the British Gas Corporation. The North *Thames Region of British Gas* has awarded an £80,000 contract for repair work on the Basildon Billericay 18-in pipeline. Work on the three-month contract has begun. An £181,000 contract by has also been awarded British Gas for leasing pipework to Cavity 6 on the Hornsea Project, North Humberside.

Over £3.3m to Monk

SOUTH WALES and Cambridgeshire are areas where A. Monk and Co., Warrington, has won contracts totalling more than £3.3m. In South Wales, the company has been awarded about £1.1m worth of civil engineering and building work at Llandarcy oil refinery and Port Talbot steelworks.

Under another large contract, worth £1.35m and awarded by the Hereford and Worcester County Council, Monk will build a 3 km single-carriageway by-pass road at Kington. Of flexible construction and including two roundabouts, the project includes two single-span pre-stressed concrete river bridges and the excavation of about 50,000 cubic metres of rock.

At Cambridge the County Council has awarded a £545,000 contract for the rebuilding of Magdalene Bridge over the River Cam. The project calls for a temporary bridge and approach roads to permit the existing bridge to be propped and opened up and new structural members to be placed within its shell. The work will also include the construction of piled abutments, a new deck and road resurfacing.

At Ely, Cambridgeshire County Council has awarded Monk a £306,000 contract to build a new bridge over the River Ouse on the A142. Located downstream of the existing bridge, it will have three unequal spans of pre-cast pre-stressed concrete beams supported on reinforced concrete piers and abutments on piles. The project includes contingent roadworks and demolition of the existing bridge.

New offices in Woking

AN OFFICE development valued at £3.3m for NSS Newsagents in Duke Street, Woking, Surrey, has been designed by the Guildford architects Scott, Brownrigg and Turner. The main building contractor is Trollope and Colls.

The offices will provide a new headquarters for NSS with additional space available for letting to local firms on a floor-by-floor basis. Work on the site began last week and completion is due in June next year.

IN BRIEF

- Contracts worth £281,000 have been awarder to the Keymer Brick and Tile Company, Burgess Hill, Sussex, which claims to be the only company in Britain entirely devoted to the production of hand-made roofing tiles.
- *Under the largest of the* contracts totalling £3.4m awarded to companies in the London and Northern Group, the Scottish Earthmoving Company will prepare the site for the first phase of Esso *Chemicals'* 500,000 tons/year ethylene plant at Moss Morran and Braefoot Bay in Fife. The contract is worth more than £2m.
- The foundations of the projected Maadi satellite complex along the east bank of the Nile just south of Cairo will be built under a contract worth about U.S.$3.5m awarded to Misr Raymond Foundations, an affiliate of Raymond International Builders, of Houston, Texas. It involves excavation work, the driving of about 2,000 Raymond step taper piles and the installation of concrete pile caps.

Protection from floods

ONE OF the last stages of the £435m Thames Flood Barrier scheme will be *constructed by* the southern division of Fairclough Civil Engineering under a £6.3m contract awarded by the Greater London Council. Fairclough will build a 1.6 km long wall at Thamesmead, on the south bank near Woolwich, to replace an existing clay flood bank.

The flood wall will be supported by *1,600* steel *H piles*, 24,000 sq metres of sheet piles and 7,000 cu metres of concrete. Part of the construction work will be carried out from trestles erected over the river. Work on the site is due to begin today and completion is scheduled for October next year.

Mail sorting office

A MECHANISED letter-sorting complex is to be built for the Post Office in Carlisle under a £1.5m contract awarded to John Laing Construction by the North Western Postal Board. Work has begun on the site in Junction Street, Carlisle, where Brydonia House is to be demolished.

The new complex will comprise a steel-framed single-storey sorting office together with a three-storey block containing offices, a staff restaurant and amenities. The sorting office will be clad in brick and metal sheeting, while the office block will be partly steel-framed and partly concrete-framed and have similar cladding.

The whole development, due for completion in November next year, also involves alterations to an existing parcels sorting building. The architects are Johnston and Wright, of Carlisle and the *structural engineers* Bingham Blades and Partners.

Refurbishment by Wimpy

TWO CONTRACTS together worth more than £1.9m have been awarded to Wimpey Construction UK by the City of Birmingham District Council. Under the first, worth more than £1m, 296 dwellings in Grove Lane, Aston, will be refurbished. Roofs and frontages of many of the dwellings will be repaired and some will have rear wings added. Water pipes are also to be renewed.

The second contract, valued at £835,000, covers 152 dwellings in Balsall Heath. It involves extensive roof and chimney repairs, new doors, windows and guttering, and the replacement and repointing of brickwork. Water pipes and tarmac paving are also to be renewed.

Awards to Allen Brothers

AN ADVANCE office development of 7,600 sq metres for Warrington New Town Development Corporation, valued at £875,000, is the largest of four contracts totalling more than £2m awarded to Allen Brothers (Contractors), Wigan. The Warrington contract is due for completion in 37 weeks.

The second largest contract, worth £565,000, is for a depot at Skelmersdale for West Lancashire District Council and the third is from Wigan Metropolitan Borough Council for extensions at Westleigh High School.

The smallest contract, worth £40,000, covers bridge strengthening works in Liverpool for Merseyside County Council.

On land and sea

A MEMBER of the Costain Group, Foundation Engineering, has won a *£340,000* contract with the Costain-Pearson Bridge *Joint Venture for an important* land and sea investigation for the Island Eastern Corridor, Hong Kong. The work involves soil and rock drilling to a depth of 80 metres under the sea bed to establish foundation levels firm enough to support large-diameter bored piles.

About two-thirds of the work will be under the sea. Drilling will be carried out from a special steel pontoon similar to *that used by the company in the* Persian Gulf. The remaining work will be on land. The sub-contract is due to start this month and to be completed in the middle of next year. The consultants are Maunsell Consultants Asia, Hong Kong.

Houses to be improved

FOUR modernisation and repair contracts totalling nearly £3m have been awarded to Bryant Construction. Two of *the* projects are for Dudley Metropolitan Borough. One of these, worth £600,000, covers the modernisation of 97 houses and is due to be completed in 40 weeks. The other, valued at £750,000, is to repair and stabilise the brick cladding on four 15-storey blocks of flats. It involves extending the existing concrete floor slabs to the outer face of the cladding and partly removing and rebuilding the external brickwork. Completion is due in just over a year.

Walsall Metropolitan Borough has awarded Bryant a contract *valued at £1.2m to alter and* improve 150 council houses in about 40 weeks. The architect is Stanley W. Bradford, the borough's director of architecture.

Bryant's other new contract, worth *£400,000*, is for the modernisation of 57 dwellings owned by Cannock Chase *District* Council. The project is on four sites and the completion periods vary from 18 to 40 weeks. The council architect is L. D. Jones.

Contracts for Lawrence

TWO contracts in London together worth more than £2m *have been awarded to* Walter Lawrence Group companies. Under the larger, worth £1.67m, Walter Lawrence and Son will build a three-storey office block with basement car parking in Flanders Road, Turnham Green, London W4. The contract period is 84 weeks. The architects are Oscar Garry and Partners and the quantity surveyors Pell, Frischman and Partners.

Walter Lawrence (City) will carry out repairs, alterations and improvements to Barclays Bank on the corner of Oxford Street and North Audley Street, London W1, under a contract valued at £517,000. The work, which involves stone cleaning and redecoration of the exterior and refurbishment of the *interior*, has begun and is due for completion in 65 weeks.

The architects are the Mountford Pigot Partnership and the quantity surveyors Harry Brack and Partners.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

New technology at Plessey's Swindon plant

BY GEOFFREY CHARLISH

BASED TO a significant extent on a growing feeling in the semiconductor business that the future will lie just as much in the industry-specific device as it will in the mass-produced general purpose circuits of the U.S. giants, Plessey is forging ahead with a £10m investment plan and is already in production with a number of new products.

Most of the money is being spent at the Plympton plant near Plymouth on realising manufacture of products based on the ISO-CMOS technology for which a licence was purchased from the Canadian company Mitel last year.

Events are thus taking a similar course to those at GEC where Marconi Electronic Devices has been formed from the vestigial GEC solid-state operations at Lincoln and Wembley. GEC has also purchased a manufacturing licence from Mitel. Both companies will be chasing at least one important market for these devices—the PTTs of Europe, all immersed in modernisation programmes. An idea of the size of this market is afforded by British Telecoms' estimated spend of £50/head on System X (the new generation of telephone exchanges). It will be nearly as big as the colour TV boom of the 70s.

Ferranti—which first thought of the basic idea of integrated circuits that could be "tailored" in the 60s (the uncommitted logic array or ULA) is also eyeing these markets.

The ISO-CMOS proponents use a "cell" approach but the techniques of design and the outcome are similar: the designer uses a "micro-breadboard" in a computer-aided design system to build his circuit — exactly — before any silicon is ever processed. Thus, the "cut and try" methods that took place with electronic circuit design are leap-frogged — and with the assurance that the manufactured circuit will work the first time power is applied. During the design process the engineer is able to string together items from libraries of building blocks held in a computer but all based on standard active devices that will be laid down on the silicon.

This kind of approach is ideal for circuits which may be needed in perhaps some hundreds of thousands in say, Mark I of a phone system component, but which might undergo design changes in Mark II and subsequent designs.

Such devices are rather more expensive than the multi-million production "standard" circuits of the big U.S.-based makers—but dedicated performance, not rock-bottom prices, may well be paramount.

Dressed for the occasion at Plessey Semiconductors, Plymouth, are MOS business manager Pat McGuire (left) and Phil Walsh, engineering manager. They are examining CMOS silicon slices which by September will be made at the rate of 500 per week.

For Plessey, the moves at Swindon mark the vigorous development phase after a turn-round in attitude to the "chip": only a year ago reorganisation at Swindon was started under Dr. Melvyn Larkin, who had joined the company from Motorola (UK) where he had been chairman. Now, Larkin is convinced that Plessey Semiconductors is "entering a major new field of endeavour" based on a combination of the Mitel technology and Plessey's existing expertise in standard metal gate MOS, bipolar, and surface acoustic wave (SAW) technology for microwave work.

The important aspect of CMOS is that it combines high operational speed with very low power consumption. Other technologies tend to have one or the other, but not both. Although the powers involved are small, the cost of such circuits' power consumption in, say, telephone, over the instrument's lifetime could amount to £15/watt, according to John Smart, the company's telecommunications marketing manager.

These are large sums of money and it will clearly pay the PTTs to use the lowest power devices feasible, even at somewhat higher basic prices.

The company is already issuing advanced information on a number of devices including a programmable keypad pulse dialler, a multi-frequency receiver/decoder (for countries that have multifrequency signalling) and several others. Some of the products are still being supplied direct from Mitel and availability of ISO-CMOS in Microcell form will follow later.

In the autumn the company will also be making available an eight bit CMOS microprocessor—the first time it has offered an off-the-shelf micro, although the Miproc programme has been going for some years.

The CMOS micro is designated MV6802 and it offers all the registers and accumulators of the well-known 6800 device, plus on-chip oscillator and 128 bytes of static random access memory. The device needs only external CMOS read-only memory (also to become available in the autumn) to form a "micro-power" microprocessor.

CMOS in Microcell is expected with up to 2,400 gates per device and power consumption less than 100µW by the autumn of this year, with a speed of 8 MHz. By 1982, the company plans to offer 8,000 gates, 20 MHz and 200 watts.

It is also offering the ISO-CMOS technology in single layer array form with five micron spacing and 80 gates/sq mm, operating at 8 MHz. Modules for 600, 1,000 and 1,500 gates are available for design purposes now. By September of 1982 150 gates/sq mm are planned operating at 15 MHz, and the circuits will have shrunk in size by 30 per cent.

Ken Bradshaw, who is marketing director of Plessey semiconductors, believes that the 13.5m circuits sold in the last 12 months (10m to exports) will increase to between 16m and 18m in the coming year with exports rising to 79 per cent. Plessey refuses to disclose the value of this business but Bradshaw is convinced it will rise sharply in the years to come as the need to supply the radar, professional radio, defence, energy management, consumer and PTT telecommunications markets becomes more and more crucial.

Measures thickness

A THICKNESS gauge designed to measure non-destructively most dry non-magnetic coatings, such as paint, plastics, zinc, chromium and other electro-plated deposits (except electro-plated nickel) applied to a ferro-magnetic substrate has been introduced by Elektro-Physik of Cologne, and marketed in the UK from the firm's office at 117 King Street, Knutsford, Cheshire (0565 51221).

The instrument, called Certo-test, is claimed to be suitable for all types of inspection and quality control in both the factory and the field. The logarithmic scale is designed to ensure accurate readings throughout the scale, calibrated in both mils (thousandths of an inch) and microns (thousands of a millimetre) from zero to 20 mils.

Calibration is effected with two controls, one to adjust to zero and the other to adjust to the high end of the scale. A calibration foil and steel test plate are provided for the purpose. Measurements are taken with a small single-contact spring-loaded probe fitted with a V groove for use on curved surfaces. Power is provided by a 9V PP3 dry battery or through a mains adaptor.

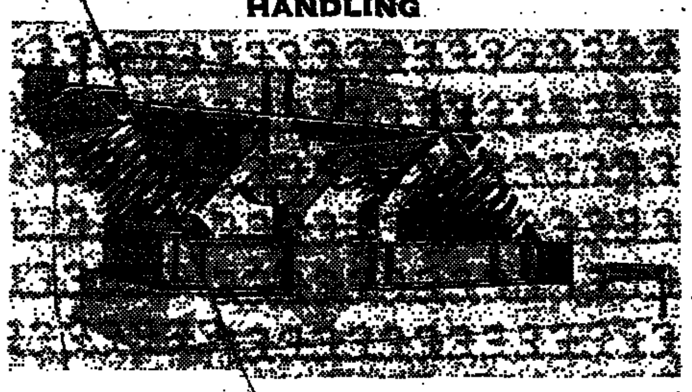
Repair of bearings

A MANUFACTURING and repair facility for large industrial plain bearings has been installed at the Bradford works of the Universal Metal Packing Company in conjunction with the Glacier Metal Company, Alperton, Wembley, Middlesex (01-997 6611). The centrifugal lining of white-metal plain bearings can be carried out up to 72 in outside diameter and up to 120 in long, it is claimed. Other techniques are available for even larger bearings.

A pulverised-fuel mill bearing of 78 in bore diameter was recently repaired at Bradford for the Central Electricity Generating Board. Two such bearings support a pulveriser charge load of about 125 tons at 15 rpm. The oil-lubricated bearing has a high-pressure hydrostatic oil-jacking system for efficient starting up under load, a self-contained water cooling system and a high-temperature monitoring system. For this heavy duty a sound bond between the white-metal lining and the steel backing is essential.

After the white-metal lining has been applied the quality of the bonding is checked ultrasonically to ensure good quantitively the actual strength adhesion. Facilities to check of the bond are also available. All sizes of white metal bearings can be designed, manufactured and repaired

HANDLING



A COIL-SPRING vibratory feeder claimed to be capable of moving a wide range of materials, from wood chips and scrap metal to coal and stone at rates of more than 3,000 tons/hour has been introduced by Locker Industries, Warrington, Cheshire (0925 51212).

Electro - mechanical, long-stroke and low-frequency, the feeder has a tuned, two-mass vibratory system operating at below resonant frequency. This is claimed to reduce the power required to move a given load and to prevent loss of amplitude, and therefore capacity, under heavy head loads.

The feeder, named Locker TCS, is available with either fixed or variable capacities. With a thyristor control unit it maintains a constant pre-set feed rate, Locker claims. Alternatively it will accept standard milliamp control signals from weighbelt scales and similar devices to give an infinitely variable rate of feed. Standard troughs are available in variety of alloy steels and in sizes ranging from 900 mm to 3 metres wide and 2,100 mm to 4,500 mm long. The standard electric motors used are available in capacities of 2.2, 3.7, 5.6 and 7.5 kW.

PIPELINES

DEVICES THAT crawl along pipelines to enable inspection of welds to be carried out sometimes get stuck in them. This can be an expensive problem for pipeline contractors.

Metal and Pipeline Endurance (0462 733035) is now offering a means of recovering a jammed crawler which could cut recovery costs considerably and at the same time make it unnecessary for workers to enter the pipeline involved.

The company solution to the problem is a bolt-on attachment that can be fixed to a reserve crawler. This attachment is essentially a tow-hook which is fitted to the crawler in place of its radiographic head.

This crawler is then run down the pipe section until the tow-hook latches on to the towbar of the stuck crawler. This engagement automatically releases the brake on the stuck crawler and reverses the drive on the recovery crawler. The two, then coupled, reverse out of the pipe. Suitable for pipelines from 18 inch diameter upwards, the recovery device has already been proved in gas pipeline laying.

NEWS IN BRIEF

SAFETY

INDUSTRIAL GOGGLES with a coated polycarbonate non-mist lens, optically curved for wide panoramic vision, introduced by Martindale Protection, Neasden Lane, London NW10 (01-450 8561), are classified as Grade 1 for impact resistance. Named Excluder, they are kite marked and approved to BS 2092 for protection against chemicals, dust, gas and molten metal.

The one-piece lens, secured in the frame at three points, can easily be replaced when required, says Martindale. The clear pvc frame has a frost-fitting headband designed to distribute the pressure evenly and eliminate side gaps.

ELECTRONICS

SPECIFICALLY designed for microprocessor applications, a PTH (plated through hole) microboard introduced by Vero Electronics, Chandler's Ford, Hants (04215 60211) is available in a complete range of Eurocard sizes, including double-height versions. Each hole in the PTH microboard matrix is tin-lead plated, with the re-flow soldered so that when the components are connected the solder passes, by capillary action, down into the space between the component lead and the bore to give a solid and reliable connection right through the board.

Vero claims that component leads and wires can be soldered and removed several times without the risk of lifting the copper tracks of the board. It also claims that compared with conventional wire - wrapping techniques the PTH microbond, using hard wiring, offers savings of more than 40 per cent in systems-packing density, while the plated-through holes ensure high reliability.

Where system density is not a critical factor the board is said to be entirely suitable for use with wire-wrap techniques.

SERVICING

MOBILE lifting gear to aid servicing of commercial vehicles has been developed by Charles Dickens and Sons, Attwood Street, Lye, Stourbridge, West Midlands.

Capable of being manoeuvred and operated by one man, the "Husky" equipment comprises a set of four separate units to enable any "corner" of a vehicle to be raised independently, or manipulated in unison to provide all-round lift to a convenient height for inspection and maintenance.

TIMBER ROOF

THE SWIMMERS of Chichester, county town of West Sussex, are reported to be pleased with the new timber roof over the council swimming pool, recently constructed to replace the old rusty steel roof. The pool was converted from a cinema in 1967, and the high humidity in the building caused the steel framework to corrode.

The Council's Amenities and Recreation Committee decided to remove the rusty metal and install a laminated timber replacement. The new roof, of shaped Toreboda Glulam laminated beams and solid timber decking, was supplied and installed by ASSI Wood Products, Croydon (01-680 5477). The beams are up to 90 ft long and 3½ tons in weight.

The laminated beams have a high strength-to-weight ratio and are so pleasing to the eye that cladding was considered unnecessary. They are also resistant to fire. In Sweden, where they are made, buildings with laminated timber beams are said to attract the lowest fire insurance premiums.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

Plotting the business in colour

THE MEANS by which business executive can have trends and analyses of company activity at his disposal grew number daily.

Increasingly they take the form of a desk-top terminal either containing a small computer that undertakes all the work, or one which is connected to the company's mainframe computer.

Usually the data appears in black-and-white display on a cathode ray tube screen and often the only hard copy available is from an associated line or character printer, probably in tabular form or perhaps rather crudely produced graphs.

According to Bryans Southern Instruments, there will be a growing application of the small flat bed X-Y plotter to business purposes (it is customarily used in engineering and scientific work) because it is able to plot quality graphs, diagrams and alpha-numerics that can easily be appreciated at meetings and discussions.

The latest machine from Bryans will do it in style—six colours—and at a surprisingly high speed.

Not unnaturally, the company is already using such a system in-house. Parent group Phicom employs a DEC PDP 11/70 and is extracting data from it using a small terminal (basically an Apple computer) programmed to deliver graphs and charts about the company's key financial data. The terminal asks the user such questions as which colours are desired and what the graphical format should be and the plotter will then plot, say, a series of curves, histograms or pie-charts in a couple of minutes or less.

Phicom group technical adviser Mr. A. H. Robinson has had his machine programmed to produce such things as trend graphs, S-curves (for statistical probability of given events occurring) and regression curves (in which the best straight line is put through a "wobbly" trend curve and limits are put on it).

For some years now Bryans has been striving to improve the dynamic characteristics of the recorders it makes—a question of maximum response speed of the pen (acceleration of 10g are now achieved) and keeping a mass of moving parts to a minimum. The latest models can write characters at 1.5 per second—so that annotation of the plots is not now such a limiting factor.

Secret of the six-colour model is the rotary pen head. If an attempt is made to change colours in flight, Instead the unit always moves to the graph origin where a station changer quickly indexes the head to the required pen. Over 500 metres of writing length per colour has been achieved.

GEOFFREY CHARLISH

Banks and licensed deposit-takers

THE FOLLOWING is the first complete list of all recognised banks and licensed deposit-taking institutions which carry on a deposit-taking business in the UK. The categorisation arises from the 1979 Banking Act, which provides that the Bank of England is the appropriate regulatory authority.

The Act regulates the use of banking names and descriptions, effectively restricting the description "bank" to recognised banks. In order to achieve the status of a recognised bank, an institution must enjoy "a high reputation and standing in the financial community," and provide a wide range of banking services.

Inability to satisfy the latter requirement has resulted in many specialist institutions, such as the clearing bank-owned finance houses and certain subsidiaries and associates of major foreign banks being labelled as licensed deposit-takers.

Licensed institutions from other countries operating in the UK through a branch may retain their banking name provided that, whenever it is used, the words "licensed deposit-taker" appear in immediate conjunction with it and no less prominently than the name itself. A similar provision applies in the case of overseas institutions with UK representative offices.

The 1979 Act does not, as of now, apply to the Trustee Savings Banks, or National Girobank.

1 Recognised Banks

Alexanders Discount Company Ltd.
Algemene Bank Nederland N.V.
Allen, Harvey and Ross Ltd.
Allied Arab Bank Ltd.
Allied Bank International
Allied Bank of Pakistan Ltd.
Allied Irish Banks Ltd.
Allied Irish Investment Bank Ltd.
American Express International Banking Corporation
American National Bank and Trust Company of Chicago
Amex Bank Ltd.

...

The Hokkaido Takushoku Bank, Ltd.
The Hongkong and Shanghai Banking Corporation
Hungarian International Bank Ltd.

The Industrial Bank of Japan, Ltd.
International Commercial Bank Ltd.
International Energy Bank Ltd.
International Mexican Bank Ltd.
International Westminster Bank Ltd.
Irving Trust Company
Italian International Bank Ltd.

Japan International Bank Ltd.
Jessel, Toynbee and Co. Ltd.
Johnson Matthey Bankers Ltd.
Leopold Joseph and Sons Ltd.

Keyser Ullman Ltd.
King and Shaxson Ltd.
Kleinwort, Benson Ltd.
Korea Exchange Bank
The Kyowa Bank, Ltd.

Lazard Brothers and Co., Ltd.
Libra Bank Ltd.
Lloyds Bank Ltd.
Lloyds Bank International Ltd.
Lloyds Bank International (France) Ltd.
London and Continental Bankers Ltd.
London Interstate Bank Ltd.
The Long-Term Credit Bank of Japan, Ltd.

Malayan Banking Berhad
Manufacturers Hanover Ltd.
Manufacturers Hanover Trust Company
Marine Midland Bank N.A.
Mellon Bank, N.A.
Mercantile Bank Ltd.
Merrill Lynch International Bank Ltd.
Midland Bank Ltd.
Midland and International Banks Ltd.
The Mitsubishi Bank Ltd.
The Mitsubishi Trust and Banking Corporation
The Mitsui Bank Ltd.
The Mitsui Trust and Banking Company Ltd.
Samuel Montagu and Co. Ltd.
Morgan Grenfell and Co. Ltd.
Morgan Guaranty Trust Company of New York
Moscow Narodny Bank Ltd.
Muslim Commercial Bank Ltd.
National Bank of Abu Dhabi
The National Bank of Australasia Ltd.
National Bank of Canada
National Bank of Detroit
National Bank of Greece S.A.
The National Bank of New Zealand Ltd.
National Bank of Pakistan
National Westminster Bank Ltd.
Nedbank Ltd.
The Nippon Credit Bank, Ltd.
Noble Grossart Ltd.
Nordic Bank Ltd.
North Carolina National Bank
Northern Bank Ltd.
The Northern Trust Company

Orion Bank Ltd.
Overseas-Chinese Banking Corporation Ltd.

...

Wool keeps UK market share

WOOL is maintaining its market share in the depressed UK textile market, inspite of widening price differentials with man-made fibres, says Mr. Tony Gould, United Kingdom and Ireland director of the International Wool Secretariat.

"Wool carpet yarns are currently twice as expensive as synthetics, and in apparel, they cost three times as much, yet wool's share of the market, measured in mill consumption, is now 56 per cent, as against 50 per cent in 1977," he told textile industry leaders.

Mr. Gould believed this due in the promotion of wool's international trade mark, the Woolmark, while synthetic competitors had been forced to lower their spending on promotion, so that consumers could no longer identify specific yarns.

Mr. Gould says: "We firmly believe in continued Woolmark promotion, and we shall be spending £2.5m in the next 12 months. Half of this amount will go on direct media advertising for the woolmark."

INSURANCE

Professionals worry over security

BY JOHN MOORE

INSURANCE professionals are concerned about the security offered by international insurance and reinsurance groups. They fear that sections of the reinsurance market may not be able to meet claims regardless of the amounts involved.

They are critical about many aspects of the financial disclosures made by insurance groups which will allow the market to assess their underlying security.

The question of security is to be discussed in some detail this week by insurance experts at the fifth international reinsurance seminar, organised by the Reinsurance Offices' Association.

Complicated

Any assessment of the security of world insurance markets is complicated by the industry's structure and the way in which business is conducted.

Insurance risks are rising in value at a time when world insurance premium rates are under pressure through increasing competition. In these conditions the layers of reinsurance protections sought by insurance groups have grown in complexity.

More recently formed insurance groups often have ambitions beyond the scope of their initial capital and cannot take onto their books the volume of business which they are seeking. Small companies underwrite risks that are out of all proportion to their size, capital structure and underwriting skill and look to support from the reinsurance market.

Reinsurance groups which they turn to may not be registered in the country in which the small insurance group is operating. Few quality checks, if any, can be imposed.

As the brokers are facing increased competition so their schemes for generating commission and fees are becoming more elaborate. Complicated networks of reinsurance chains are being created with each link in that chain only retaining a small proportion of the risk.

While the broker may have a reasonable idea of the portfolio of business which some of the reinsurance groups underwrite, and how and where they arrange their own protections, in many instances he will have little knowledge. Moreover, Government control over the reinsurance industry worldwide is variable and largely relaxed and permissive.

Delegates at the reinsurance seminar this week will be studying several answers to the security question.

More regulations have been suggested which would control the gross risk accepted by the insurance companies and determine the net amount of the business retained by insurance groups in relation to their capital and surplus.

Balance sheets only usually show a company's net trading position and that company may well be relying heavily on reinsurance contracts placed with other parties. Most countries do not have any limitations on the amount of reinsurance which a company can purchase, although some will restrict placements to licensed or approved foreign operators.

Another safeguard under consideration is that a minimum retention of risk by an insurer should be insisted upon as well as maximum retention. This will ensure that an insurer has a more direct involvement in the risk, rather than merely relying on the support of his reinsurers. This would act as a protection against unsound premium ratings or reckless underwriting.

Security

A more radical proposal is that reinsuring companies and underwriters should be prepared to offer letters of credit issued by approved banks as additional security, which will provide an immediate facility for paid and approved insurance losses, should any delay be incurred in normal accounting procedures.

More centralised data and standardised financial information on the reinsurance community are also urged.

A series of ratio tests, it is argued, would help in the assessment of financial strength and a deadline for providing annual financial statements would speed the flow of information back to the rest of the market.

The week's business in Parliament

TODAY

Commons—Insurance Companies Bill, remaining stages. Motion on financial assistance to International Computers. Motion on EEC document on research and development in biomolecular engineering.

Lords—Companies (No. 2) Bill, report.

Select Committees — Home Affairs. Subject: vagrancy offences. Witnesses: Campaign for Homeless and Rootless. 4.30 pm. Room 8. Public Accounts. Subject: Internal Audit in Central Government Departments. Witnesses: Sir Douglas Henley, Comptroller and Auditor General; Sir John Herbecq, Civil Service Department. Sir Anthony Rawlinson, Treasury. 4.45 pm. Room 16.

TOMORROW

Commons—Supply day debate on youth unemployment. Ways and Means resolution on Transport Bill. Motion on salaries of members of European Parliament. Queen's University, Belfast (NI) Order. Opposed private business.

Lords—Companies (No. 2) Bill, report. Matrimonial Homes and Property Bill, third reading. Interpretation of Legislation Bill, report.

Select Committees—Employment. Subject: homeworking. Witnesses: Confederation of British Industry Wages Councils (Employers) Consultative Committee; National Federation of Self-Employed and Small Businesses; The Retail Consortium. 4 pm. Room 8. Procedure (Supply). Subject: Supply procedure. Witness: Joel Barnett, MP, 4.15. Room 15. Armed Forces Bill. Witnesses: Ministry of Defence officials. 5 pm. Room 5. Parliamentary Commissioner for Administration. Subject: Report of the Parliamentary Commissioner. Witnesses: Department of Health and Social Security. 5 pm. Room 6.

WEDNESDAY

Commons—Supply day debate on developments in EEC July-December 1980. Water Bill, Lords amendments. Energy Conservation Bill, remaining stages.

Lords—Debate on Government's expenditure cuts. Prayer Book Protection Bill, second reading.

Select committees — Education. Subject: Secondary school curriculum and exams. Witnesses: Council of Subject Teaching Associations. 10.30 am. Room 6. Scottish. Subject: Youth unemployment. Witnesses: Fife Regional Council, Highland Regional Council, Strathclyde Regional Council. 10.30 am. Room 5. Industry and Trade. Subject: Effects of BSC corporate plan. Witnesses: British Independent Steel Producers' Association. 10.45 am. Room 16. Public Accounts. Subject: Internal audit in Central Government Department. Witnesses: Sir Brian Hayes, Ministry of Agriculture; Sir James Hamilton, Department of Education. 4 pm. Room 16. Transport. Subject: Transport in London. Witnesses: Assistant Commissioner and officers of Traffic and Technical Support Department, Metropolitan Police. 4.15 pm. Room 17. Employment. Subject: Legal immunities of trade unions. Witness: Lord Hailsham, Lord Chancellor. 4.30 pm. Room 8.

THURSDAY

Debate on White Paper on Government's expenditure plans 1981-82 to 1983-84.

Lords—Matrimonial Homes (Family Protection) Bill, report. Debate on Common Agricultural Policy and agricultural price fixing proposals.

Select Committees — Social services. Subject: Medical education. Witnesses: Lord Annan; Committee of Vice-Chancellors and Principals. 10.30 am. Room 15. Agriculture. Subject: Animal welfare in poultry, pig and veal calf production. Witnesses: Ministry of Agriculture; Agricultural Research Council. 11 am. Room 16.

FRIDAY

Commons—Private members' motions.

Grant of £2.7m for new Eltham station

A GRANT of £2.7m to British Rail for a new rail and bus station interchange in Eltham, Kent, has been agreed by the Greater London Council's transport committee. The existing station at Eltham Well Hall will be demolished to make way for a road.

Mr. Harold Mote, chairman of the committee, said the rebuilding would provide a much better connection for buses with a modern layout designed and built by British Rail.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

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COMPANY NOTICES

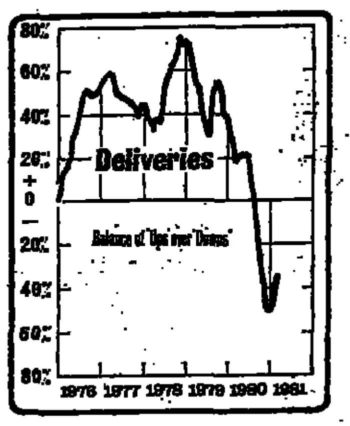
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Industry less pessimistic

INDUSTRY APPEARS to have become less pessimistic since the end of last year about the prospects both for individual businesses and for the UK economy as a whole. There is no great surge of optimism, however, and the response to the Budget is distinctly cool.

Nearly two-thirds of the interviews were after the Budget, most of the companies questioned earlier were re-contacted later to see if their views had changed. In general, there has been little change though many companies are disappointed that so little has been done to help industry.



All three sectors interviewed this month — construction and building, food and tobacco and textiles and clothing — show a reduced inclination to be less optimistic about the business situation than when last interviewed in November. There has been a big increase in the percentage of firms saying their views have not changed.

The building and construction and the food and tobacco sectors are slightly more optimistic about the UK economy than last November though the clothing and textile sector takes the opposite view. The main grounds for optimism appear to be that the economy has bottomed out and that interest rates will fall.

GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
More optimistic	21	19	21	24	24	45	68
Neutral	50	42	38	32	65	43	19
Less optimistic	29	39	41	44	11	12	13

EXPORT PROSPECTS (Weighted by exports)

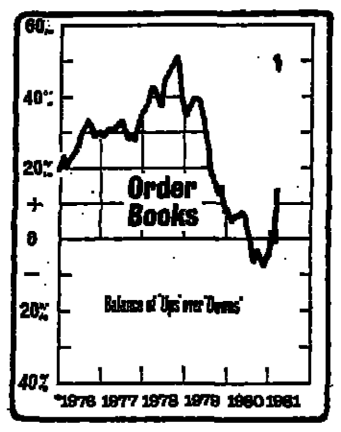
Over the next 12 months exports will be:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Higher	40	43	50	48	13	25	26
Same	27	27	26	32	53	32	22
Lower	32	30	23	19	34	29	52
Don't know	1	—	1	1	—	14	—

ORDERS AND OUTPUT

Demand picking up

INDUSTRY IS becoming more optimistic about the orders outlook. Increasing demand is reflected in a rise in the three indices for recent deliveries, new orders and the state of companies' order books. This continues the recovery seen during the last few months from the highly depressed levels around the end of the year. Manufacturers stress that although deliveries might now be rising, sales are still at historically low levels.

All three sectors are more hopeful about order prospects than they had been when last surveyed in November, although concern persists about the margins at which orders are being booked.



Optimism about a recovery is still only cautious in view of worries about the recession, the high value of the pound, and strong competition. Few companies expect significant increases in output during the next 12 months.

The high exchange rate continues to dampen export opportunities. Both the food and tobacco and the textile and clothing sectors expect lower overseas sales than they did last November, so the index measuring export prospects has fallen again.

NEW ORDERS

The trend in new orders in the past 4 months was:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Up	14	10	8	9	14	15	52
Same	20	18	16	19	16	29	7
Down	49	54	55	58	70	22	28
No answer	17	18	21	14	—	34	13

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Rise over 20%	3	2	2	3	5	—	—
Rise 15-19%	—	1	1	2	2	—	—
Rise 10-14%	5	4	3	5	3	1	—
Rise 5-9%	11	13	14	17	22	3	2
About the same	58	59	52	49	49	63	59
Fall 5-9%	7	9	8	6	11	11	—
Fall over 10%	5	5	9	8	8	—	39
No comment	11	7	11	10	—	22	—

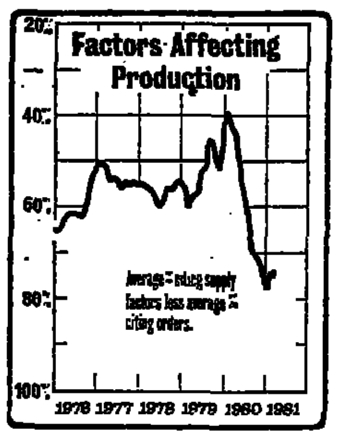
CAPACITY AND STOCKS

Outlook still bleak

THE DEPRESSED state of industry is reflected in a rising number of companies reporting below-capacity working and buildings and plant lying unused. Companies are still highly subdued about the prospects of building up stocks during the next 12 months, indicating that they expect only a modest economic recovery.

All three sectors have been hit by falling use of buildings and plant or machinery. The building and construction group reports an engineering factory and two complete cement plants standing idle.

Shortage of demand is still



mentioned as being the main constraint on output. The building and construction sector is starting to cite other factors, but these are still more demand rather than supply-orientated, including high energy costs, overseas competition and low profitability of contracts.

The only supply-side factor mentioned is difficulty in obtaining planning permission for new outlets, cited by one food retailer. The building and construction sector is still inclined to say that stocks are too high in relating to sales, but food and tobacco companies take the opposite view.

STOCKS

	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Raw materials and components over the next 12 months will:							
Increase	19	17	17	13	5	24	28
Stay about the same	44	43	43	49	73	54	66
Decrease	31	34	31	31	19	22	6
No comment	6	6	9	7	3	—	—
Manufactured goods over the next 12 months will:							
Increase	18	14	15	11	27	12	—
Stay about the same	44	38	40	43	54	77	84
Decrease	26	35	28	30	11	11	—
No comment	12	13	17	16	8	—	16

FACTORS CURRENTLY AFFECTING PRODUCTION

	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Home orders	91	90	90	95	95	89	100
Export orders	64	66	63	63	76	46	87
Executive staff	—	—	2	3	—	—	—
Skilled factory staff	4	4	5	6	16	—	—
Manual labour	—	1	1	1	—	—	—
Components	—	—	—	1	—	—	—
Raw materials	4	2	—	2	—	11	—
Production capacity (plant)	3	3	3	3	—	1	13
Finance	1	1	1	2	—	—	—
Others	13	6	3	3	49	12	9
Labour disputes	11	9	4	3	—	11	—
No answer/no factor	1	5	5	4	—	—	—

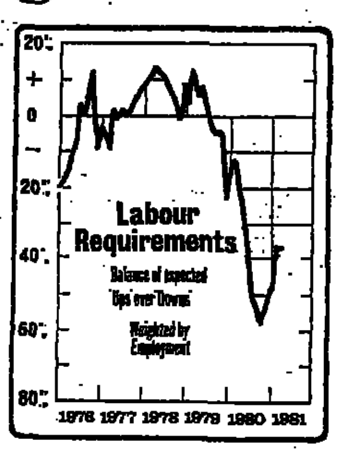
CAPACITY WORKING

	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Above target capacity	3	3	3	1	6	—	13
Planned output	33	[illegible]	42	43	27	24	28
Below target capacity	56	56	50	49	67	43	59
No answer	8	2	5	7	—	33	—

INVESTMENT AND LABOUR

Assets lying idle

EMPLOYMENT PROSPECTS remain bleak though slightly more companies are now expecting to increase their labour forces over the next 12 months than before Christmas. But around half the sample are still expecting to shed labour over the period and the overall employment indicator shows virtually no change. Lack of demand is the main constraint on employment though just over a third mention high wages or other labour costs in relation to productivity.



The outlook for capital investment is also dull. The clothing and textile sector and, to a lesser extent, the food and tobacco sector, are more inclined to expect capital expenditure to fall than they were when last questioned in November. This has been offset by a less pessimistic view in the building and construction industry. In reply to a new question, the building and construction industry reports a marked tendency for overseas spending to rise.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Increase	12	10	9	6	5	18	3
Stay about the same	38	43	47	4	32	31	37
Decrease	49	47	44	52	63	51	60
No comment	1	—	—	—	—	—	—

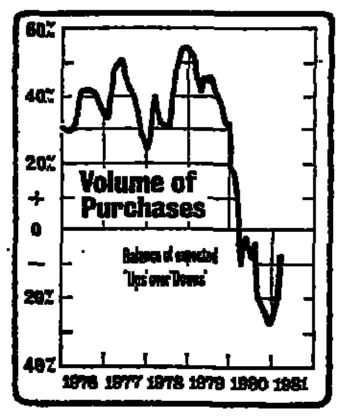
CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Increase in volume	25	27	21	20	39	13	—
Increase in value but not in volume	7	6	9	6	13	23	—
Stay about the same	25	24	32	38	8	36	35
Decrease	42	42	36	31	40	28	65
No comment	1	1	2	5	—	—	—

COST AND PROFIT MARGINS

Inflation continues to slow

THE INFLATION rate should slow down over the next 12 months. All three sectors interviewed this month expect wages and unit costs to increase by smaller percentages over the period than they did when interviewed last November and these indices have continued to fall. The median expected rise in wages has dropped by 2½ points since the end of last year to less than 10 per cent, while the expected unit costs increase is now down to 10½ per cent.



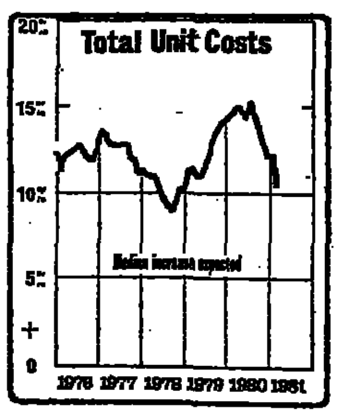
The building and construction sector tends to expect larger increases in prices over the next 12 months than it did last November. But the food and tobacco sector takes the opposite view. The result is a slight decline in the median expected change in prices — down to about 10½ per cent compared with around 12 per cent at the beginning of this year.

All three sectors are slightly more hopeful about increasing their profit margins than last November and this index has shown quite a sharp recovery.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based on interviews with executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT Actuaries' index, which accounts for about 80 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Wages rise by:							
0—4%	1	1	1	—	—	—	—
5-9%	49	43	34	22	51	35	84
10-14%	40	38	40	48	46	54	16
15-19%	4	5	11	13	—	—	—
20 24%	—	2	2	3	—	—	—
No answer	6	11	12	14	3	11	—
Unit cost rise by:							
0—4%	7	5	4	3	—	11	—
5-9%	30	25	18	19	32	36	60
10-14%	40	50	47	47	24	31	39
15-19%	6	8	15	16	11	—	1
20 24%	—	—	—	—	—	—	—
Same	1	1	2	3	—	—	—
Decrease	2	—	—	—	—	11	—
No answer	14	11	14	12	33	11	—

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Building & Construction %	Food & Tobacco %	Textiles & Clothing %
	4 monthly moving total				March 1981		
Improve	30	23	26	23	35	34	81
Remain the same	39	34	33	34	35	54	—
Contract	30	42	39	40	30	12	19
No comment	[illegible]	[illegible]	2	3	—	—	—

APPOINTMENTS

Senior posts at H P Bulmer Ltd

H. P. BULMER LTD., the main subsidiary of H. P. Bulmer Holdings, has made Mr. Brian Carver, group financial controller, Mr. Colin Eldridge, general manager, pectin division and Mr. Michael Pearce, group personnel manager, directors.

★

Mr. Curt G. Olsson and Mr. Helgi Bergs have been appointed directors of SCANDINAVIAN BANK. Mr. Olsson, managing director of Skandinaviska Enskilda Banken's head office, Stockholm, succeeds Mr. Alf Akerman, managing director of Skandinaviska Enskilda Banken, Gothenburg. Mr. Bergs replaces Mr. Jonas Haralz, both of whom are general manager of Landsbanki Islands.

★

Mr. Donald J. Adamson has been appointed a director of THE NORTH BRITISH DISTILLERY COMPANY.

★

Mr. Bill Coppen-Gardner has been appointed director of the ASSOCIATION OF INDEPENDENT RADIO CONTRACTORS from May 5.

★

Mr. David Aris has been appointed managing director of TYNE SHIPREPAIR, a member of British Shipbuilders.

★

Mr. Ian Dunkley, managing director of Datron Interform, has been elected chairman of the COMPUTER RETAILERS' ASSOCIATION. Mr. Tim Keen of Keen Computers, the Association's past chairman, has become vice chairman and Mr. Ray Johnson of T. and V. Johnson, treasurer.

★

Mr. E. I. Downing has joined the Board of KENNEDY SMALE as group managing director. He succeeds Mr. A. M. Johnstone, who continues as group chairman.

★

Mr. Bernard Hughes has been made financial director of SYNTEX PHARMACEUTICALS.

★

Mr. John Whitehead, managing director of Craelius Company, has been appointed chairman of the BRITISH DRILLING ASSOCIATION.

★

Mr. J. Gluck is joining "MR. HARRY" FRAME CLOTHING as deputy chairman on April 6. Mr. Gluck was formerly managing director of Lee Cooper.

★

Devitt Group announces the formation of DEVITT (AVIATION) with Mr. M. R. Barlow, Mr. P. R. Lawrence, Mr. C. W. Yeldham and Mr. T. J. Brazier, directors.

★

IPC BUSINESS PRESS INFORMATION SERVICES, the directory publishing division of IPC Business Press, has made the following appointments: Mr. Keith Cornelius, executive director—finance, has become finance director and Mr. Terry Leather, executive director—production, has been appointed production director.

★

Mr. Tony Merry, chairman and managing director of CARNATION FOODS, has in addition been appointed an area vice-preident of Carnation International. He will now be responsible for Carnation Netherlands, Carnco Nigeria and all European exports to Africa and the Middle East. Mr. Martin Ilsley has become assistant managing director of Carnation Foods Company and Mr. John East has replaced him as director of finance. Mr. Patrick Farragher has become a member of Carnation's executive committee.

★

Mr. Neil Davenport has been made managing director of CRAY RESEARCH UK. Mr. Davenport will be responsible for marketing, software and support operations in the UK and for exploring European opportunities outside Germany and France.

★

Mrs. Martha M. Maclean has been appointed company secretary of BAKER ELECTRONICS in place of Mr. Derek R. James, who retains all his other appointments within the group.

★

Mr. Shield, general manager of the Gomersal works, has been made a director of VICKERS DAWSON.

★

The chairman of the CROWN AGENTS, has appointed Richard Kelsall as public affairs consultant.

★

Mr. M. A. Hastilow has retired from the main Board of GLYNWED, but continues to act as a consultant.

★

Following the retirement of Mr. Gordon Paerson, GUARDIAN ROYAL EXCHANGE's general manager (finance), Mr. Basil R. King, presently chief accountant (finance), will be appointed assistant general manager (finance) on June 1.

★

Mr. B. N. G. Lockyer-Nibbs and Mr. E. T. Chapman have retired as directors of HENRY ANSBACHER and COMPANY.

★

Mr. Douglas B. Kemp, managing director of W. S. Cowell, the printing and publishing division of GRAMPIAN HOLDINGS, and Mr. Hugh Stevenson, financial director of the group's transport division, have been appointed to the Grampian main Board.

★

Mr. T. E. Hutton, managing director, Total Oil (G.B.) has been appointed chairman of the BRITISH RAILWAYS (EASTERN) Board from May 1. He will succeed Mr. J. L. Dickinson, who is to retire from the Board at the end of April.

★

Mr. James C. Chandler, who retires on July 31 as executive director and secretary of European Banking Company, London, has been appointed executive secretary of EURO-CLEAR CLEARANCE SYSTEM, succeeding Mr. Tibor G. Jahoda, who is retiring.

★

Mr. Peter W. Gibbs has been appointed to the board of FISONS fertiliser division. He will be the director responsible for the sales, marketing and distribution functions within the fertiliser division.

★

Mr. W. Allan McNeill has been appointed managing director of ZIMMITE (UK), and president of ZIMMITE INTERNATIONAL. Based in London Mr. McNeill is responsible for Zimmite operations world-wide outside North America.

Getting into first gear for an uphill climb

Despite its tentative recovery, Pirelli still has problems to overcome. **James Buxton** reports

NOT MANY shareholders turned up for the meeting in Milan, but those who did witnessed a small landmark in Italian industrial history. Leopoldo Pirelli, descendant of the man who founded the tyres and cables business more than a century ago, announced that Industrie Pirelli, the Italian subsidiary, had made a profit for the first time in ten years.

What makes this significant is that Pirelli is one of those very big private Italian companies which almost uniformly performed badly in the 1970s, thanks in large measure to poor productivity and industrial relations. Its tentative recovery demonstrates both what can be achieved, and the acute problems that remain.

Industrie Pirelli is by far the largest part of the far-flung Pirelli empire. Its tyre interests in particular have also been the most troublesome. Employing 30,000 people, Industrie Pirelli accounts for 39 per cent of the group's labour force, and with sales of 1,350bn lire in 1980 ($1.35bn), for a third of world-wide turnover.

The company's putative recovery has been powered by five basic factors, with short-term help from a sixth:

1—The all-important, if slight, increase in the productivity of tyre manufacture. This has been achieved in the face of stiff union resistance to manning cuts, and in spite of Pirelli's inability to close under-worked or outdated factories in Italy; its competitors have between them closed about 25 tyre plants in Europe since the mid-1970s (see last Friday's article).

2—The seizing of a technological lead in the upper end of the car tyre market, where margins are relatively good.

3—Sharper lines of management responsibility, including the hiving-off of the tyre business into a separate company.

4—A major and much-needed financial reconstruction.

5—Substantial capital investment in new plant and equipment, and 6—An unexpectedly drawn-out boom in the Italian car and tyre markets, which lasted well into 1980. It was this which enabled Industrie Pirelli to achieve its much acclaimed but very modest profit—3.5bn lire ($3.5m)—a year ahead of target. Even so, the tyre division still made a loss last year.

Pirelli's improved fortunes contrast with the continued troubles of Dunlop, the British tyre manufacturer. The union which Dunlop and Pirelli sealed in 1971—consisting mainly of cross-shareholdings allowing competition in markets—was at first dogged by Industrie Pirelli's problems, but now Dunlop appears as weak a link.

Pirelli is increasingly going its own way, and the sizeable stake that Malaysian companies have built up in Dunlop make the future of the union more uncertain than ever.

Industrie Pirelli's troubles really started with the sudden deterioration of the Italian political and economic scene at the end of the 1960s. As the post-war economic miracle came to an abrupt end, social unrest began to cause the collapse of labour discipline in the big companies, and a sharp increase in the power of the trade unions.

Explosion

For Pirelli, the crisis coincided with Michelin's introduction of radial tyres, a changeover to which, as Pirelli admits, it was slow to react.

Then came the 1973-74 oil price explosion, with its disastrous effects upon the motor industry in the industrial countries, and on tyre producers in particular. Today tyres still account for 45 per cent of Industrie Pirelli's turnover, compared with 20 per cent for cables. Cables and the third "leg," diversified products (mainly rubber, electrical and transport goods) have performed relatively well throughout the period, partly because their rather smaller factories have been easier to manage.

According to Filiberto Pittini, Industrie Pirelli's chairman since last year, badly needed new tyre products could not be successfully introduced, nor productivity raised, until the climate of industrial unrest abated.

Even when the management took the plunge in 1977, proposing new working methods for its tyre factories, it took seven months of hard negotiations to get the unions to accept them. The aim was to restore productivity per worker, which had sunk alarmingly at the beginning of the decade; there had been a steep drop, from seven and a half to five and a half, in the number of hours each man actually worked per day out of the theoretical eight.

Tyre manufacture is not an assembly line operation like car-making but consists of a number of separate operations conducted at the same or different machines. So it is heavily dependent on each man's individual effort.

Even though the management has failed so far to persuade workers to do more than an effective five and a half hour day, an individual worker no longer monopolises an individual machine, but shares it with others, so the machines work much longer hours than before.

Even with the help of a group performance bonus system replacing piecework, Pirelli has achieved only a modest increase in output per man (about four or five per cent). But there has been a big increase of about 20 per cent in output per machine.

The improvements, if small in comparison with some of Pirelli's foreign competitors, were enough to permit the large-scale introduction of new products, of which the most important is Pirelli's new series of up-market "low-profile" radial tyres, in which it claims to be world leader.

Thanks to the success of these tyres, which are popular in export markets, the composition of the tyre division's turnover has greatly improved. Export sales accounted for between 40 and 43 per cent of turnover in 1980, compared with about 25-30 per cent in the mid-1970s, while lucrative sales of replacement tyres now also account for a higher percentage (more than 30 per cent compared with 25 per cent before). Original equipment sales, the less attractive part of the market, now make up a smaller share of turnover.

Despite this brighter picture, further productivity improvements are essential. Labour costs still acount for 40 per cent of the Pirelli group's costs, with the key problems lying in the unwieldy tyre factories. Japanese workers currently produce nearly four times as many tyres a year as Italians, while annual West German output in Pirelli plants is nearly 50 per cent better.

Part of the reason for low individual output is the large number of public holidays in Italy. Industrie Pirelli also suffers an absenteeism rate of 8 per cent, compared with a target of 4 per cent and a U.S. figure of 2 per cent.

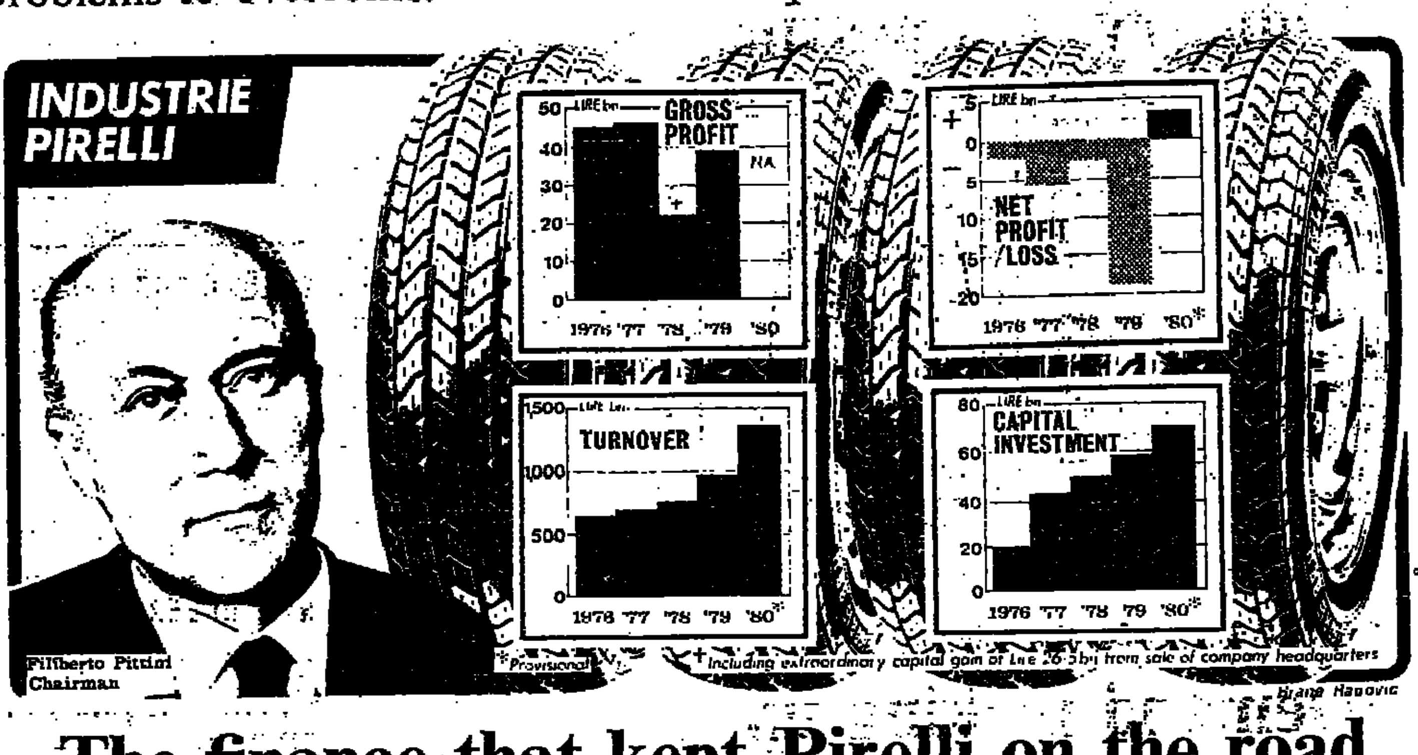
The urgency of the productivity problem is emphasised by Pittini: "Each year the number of tyres a Japanese worker produces goes up by 12 to 15 per cent. That is about 1,300 per man, about half what an Italian produces in a year." Pirelli, he says, will have to automate its tyre plants with microprocessors and other innovations, which are noticeably lacking in existing Pirelli tyre plants. But "It will never be easy to automate here, and automation itself is not enough. It would be suicide to do it without the machines working later and longer, up to seven days a week. But that is against all the habits of Europe."

For the current year the challenge is particularly stark. "We have to increase our productivity by 5 or 6 per cent a year just to keep pace with our competitors," he says. "With zero economic growth forecast one can only do that by laying off workers. We can't do that, let alone close factories, so the cuts fall on profits. Anyway! when you lay people off temporarily, productivity doesn't increase. And if you put them on *cassa integrazione* (the Italian system of state-subsidised layoffs) you still have to pay part of their social security costs." It is not surprising that Industrie Pirelli employs only 1,000 fewer people than it did in 1976.

Action

Pirelli's competitive position may be helped by the recent devaluation of the lira, by up to 6 per cent, but the accompanying raising of interest rates to record levels will not help.

Leopoldo Pirelli believes—along with many Italian industrialists—that the government must now try to break the inflationary system of indexation of incomes. He thinks that the trade unions, with which Pirelli has reasonably good relations, are becoming more realistic. Words like efficiency and productivity have recently been used by union leaders for the first time in a decade. But so far they have not been translated into action.



Filiberto Pittini Chairman

*Provisional +Including extraordinary capital gain of Lire 26.5bn from sale of company headquarters

The finance that kept Pirelli on the road

UNTIL last year's far-reaching financial restructuring, Industrie Pirelli was being crippled by a mounting burden of debt, caused by its own accumulated losses and the overseas expansion programmes of its parent company, Pirelli Spa.

The restructuring programme took its share capital up by L65bn to L173bn, with the money coming partly from Pirelli Spa itself and partly from a consortium of banks which took a 23 per cent stake in Industrie Pirelli (the parent company will buy it back after five years).

Banks also converted some L100bn worth of short-term into medium-term debt and Pirelli sold its striking 30-storey skyscraper near Milan central station for L26.5bn. Now it has a much more discreet headquarters which it obtained, ironically enough, from Montedison, the troubled chemical group, which was disposing of property for much the same reasons as Pirelli.

That restructuring allowed Industrie Pirelli to reduce its financial charges by between L15bn and L20bn in a full year and make new capital investments of about L70bn during 1980, spread across tyres, cables and diversified products.

Now the Pirelli group is taking advantage of its improved prospects and the current strengths of the Italian Stock Exchange to launch further big capital raising operations and improve the holding companies' relatively modest level of profitability.

There are two main holding companies in the Pirelli organisation: Pirelli Spa, based in Milan, and Societe Internationale Pirelli (SIP), based in Basle. As well as being parent of Industrie Pirelli, Pirelli Spa is the holding company for Pirelli Ltd. in Britain (where the Italian concern has regained majority control from Dunlop, a sign of the unravelling of the union), and tyres and diversified products concerns in West Germany, France and Belgium (all but the last are profitable).

SIP controls all the group's interests in countries outside Europe, as well as in Greece, Spain, Turkey and—only in cables—France. Some of these operations, especially in Brazil — which Leopoldo Pirelli, president of Pirelli Spa, recently called the "star" of the empire—are very big in themselves. SIP is heavily oriented towards cables, and employs 37,500 people out of the total workforce of 77,000.

Pirelli is currently raising Lire 50bn in new shares through a rights issue, and a further Lire 50bn in convertible-loan stock. SIP is raising Sw.Fr. 100m in new funds split between equity and loan stock. There is also to be a capital increase for a third holding company, Pirelli and Co., which is effectively the Pirelli family's holding, and has stakes in the other two Pirelli holding companies. This operation will raise lire 28bn, so that the total funds being raised will amount to Lire 180bn ($180m).

Reinforce

For the Pirelli group as a whole the injection of new funds will improve its ratio of debt to equity from its present unsatisfactory 1.5:1. Pirelli Spa's funds will go as a first priority to Industrie Pirelli, then to the EEC subsidiaries. SIP will invest further in its own sphere of interests, while Pirelli and Co. will reinforce both. Because of the interlocking shareholdings of Pirelli Spa and SIP, each will be buying each other's shares.

The group is thus firmly committed both to further expansion in Italy and to its traditional fields of activity, but cables now have a small but significant edge over tyres (43 to 41 per cent) as proportion of group turnover. Pirelli now considers itself the biggest cable manufacturer in the world (while in tyres it is only second biggest in Europe, after Michelin). This is in part due to its acquisition in the past two years of the cable interests of the U.S. General Cable group, and in France of Trefimetaux, a specialist subsidiary of Pechiney-Ugine-Kuhlmann. Both were made by the cable-minded SIP.

Cables, as well as tyres, depend heavily on research and development. Pittini reckons that cables sales are sufficient to sustain the minimum effective level of research and development in that field.

But the same does not apply in tyres. Originally it was intended that the Dunlop Pirelli union would provide the increased turnover to enable the two groups between them to afford joint basic research, but less has been achieved than was hoped.

LOMBARD

Now time to end gamblers' stocks

BY SAMUEL BRITTAN

FAR AND AWAY the most important measure in the last Budget was the launching of the first-ever issue of marketable index-linked securities, which were traded for the first time last week. Credit for the successful launch must go not only to Mr. Nigel Lawson and to Mr. Peter Middleton at the Treasury, who have been pushing such ideas for a long time, but also to Mr. Eddie George, the Bank of England Assistant Director, who took care of the market side.

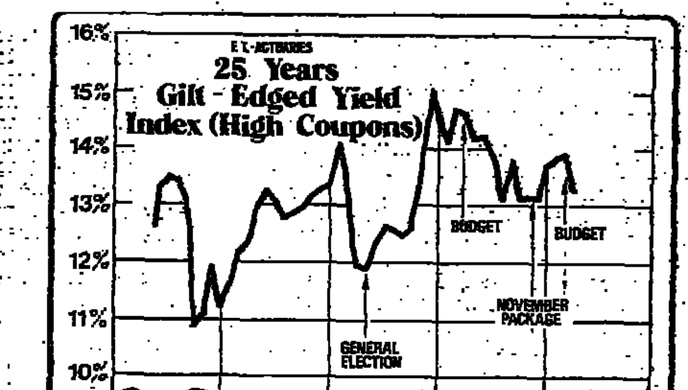
Much remains to be done if the full potentialities are to be realised. The eventual advantages include (1) better control of the money supply, (2) lower real cost of National Debt interest, (3) the possibility of indexed-linked private sector pensions and proper evaluation of such pensions in the public sector, (4) insurance against fluctuations in the inflation rate for both borrowers and lenders, (5) a not-to-be despised cosmetic reduction of the Borrowing Requirement, and (6) a genuine improvement in the debt servicing profile, which would reduce the Treasury's refinancing needs in the years immediately ahead.

There is, however, a seventh aspect of the case for indexed bonds, which is almost the most important, and also points to further issues. This is the effects on inflationary psychology. When the Government was borrowing at 14 or 15 per cent nominal rates until well into the next century, it looked as if it could not possibly afford to see anything approaching zero-inflation because of the catastrophic effect it would have on the real costs of debt servicing. And if the Government did not appear to believe in its own anti-inflation strategy, it could hardly expect the financial or the labour markets to do so.

The chart with this article shows the movement of long-term interest rates. The yield on the new indexed stock suggests that the true real rate of interest is around 2 per cent. If we subtract this 2 per cent from the nominal yields shown in the chart, we have the market's view of the most likely average rate of inflation in years to come.

Even now, the market still expects long-term inflation rates of 11 per cent. This is far above the 6 per cent rate for 1983 implied in the Strategy and given as an official assumption for estimating social security expenditure.

The very least the Government should do is to put a ban on further long-term dated non-indexed gilts until yields are in single figures. Such a ban would influence inflationary expectations only if other policies also point in the same direction. But if they do, it could reinforce confidence and bring forward the fall in yields. A single digit long-term nominal interest rate yield would also revive the corporate bond market and thus help to control the money supply, thus reinforcing the anti-inflationary effect. Non-indexed long-term gilts are highly speculative ventures for lender and borrower alike and a responsible government should have nothing to do with them.



Death of 'off-the-peg' tax avoidance

THE UNANIMOUS decisions three weeks ago of the House of Lords in *W. T. Ramsey Ltd. v. I.R.C.** (where the tax-avoidance scheme adopted had no contractual force—that is no party was *bound to carry its steps through to the end*) and in *Eilbeck (HMIT) v. Rawling** (where the scheme *was* contractual) mark the end of a series, which Lord Justice Templeman once described as attempts to repeat the "box-office success" of the stage-play known as "The Duke of Westminster's case"†.

Actors come on stage, enact various pre-scripted roles, and exeunt; at the final curtain, the taxpayer claims to have reduced his liability to tax of some kind and—provided always that the courts are bound to treat each *successive scene in the drama as* giving rise to the legal result which it would have, *if viewed in isolation*—so he has.

It is no coincidence that, in the vast majority of "off-the-peg" schemes which have in recent years been marketed by so-called tax experts, some pains are taken to explain to the customer that none of the participant-actors *has* to speak the lines in his script. The customer must (at least technically) be prepared for an unexpected piece of repartee which could leave him speechless. As, however, the peddlers of such *schemes are the only people* who are bound to finish laughing their way to the bank, the customer can be sure that they will take pains to see that the case is word-perfect. One does not kill a golden-egg laying goose.

Oddly enough, it was in a case where Lord Justice Templeman (then no more than an exceptionally able Queen's Counsel) represented the taxpayer that the first tremors of doubt as to the efficacy of the non-contractual scheme were heard. In *Campbell v. IRC*‡ payments were made by trustees under a seven-year deed of *covenant to a charity on the understanding* (which Mr. Templeman QC argued to be irrelevant, because non-contractual) that the charity would use the payments, together with tax expected to be recoverable thereon, for the purchase of a company as a going concern.

The Lords held that the scheme failed, but it was by no means clear whether they agreed that the understanding was not contractual. The most recent decisions not only make it plain that it is irrelevant whether a contract for the whole scheme is admitted (as it *was in the Rawling case*), or proved, or not; the legal effect of a scheme can in no case be arrived at by simply adding together the legal effects of each individual step in it. Instead, as one might expect in any rational systems of law, each step has to be construed *in its context (viz., in the light* shed upon it by every other step in the scheme) and the only legal effect of a scheme is the effect of the whole.

The next highly significant case was Sir Sydney Templeman's own decision in 1976 as a puisne judge, in the incredibly complex scheme sold to the unfortunate (on this occasion) actress, Julie Christie. With Dr. Zhivago already in the can and a very healthy career obviously before her, an ingenious solicitor (said by his then partner to "believe in this scheme just as some believe in God") hatched up for Miss Christie a series of trusts, companies, call- and put-

THE WEEK IN THE COURTS

BY JUSTINIAN

options, etc., that ostensibly had the inevitable effect of transmitting the first £1m of Miss Christie's income (heavily surtaxable) into tax-free capital, at the price of a hefty commission collected en route by the participating cast.

Unfortunately, the reasoning by which Mr. Justice Templeman arrived at his conclusion, that the scheme failed, only sufficed to deter Miss Christie from prosecuting her appeal further — she must have stood a very good chance with the Court of Appeal that was later to reverse Mr. Justice Templeman's own decision in *Chinn*§. And it was common to hear members of tax chambers declaring that the judge's decision, which relied heavily on the thesis that the £1m which circulated among the actors in the form of a banker's draft was "not real money," was wrong in law; the implica*tion seemed to be that had half-a-million in bullion been* involved, with a series of police-escorts carting it around the City in successive weeks (instead of the passage of a draft from hand to hand around the table) the scheme would have worked.

A turning-point in the Revenue War against the "off-the peg" scheme came three years ago with the dissenting judgment of Lord Justice Eveleigh in *Floor v Davis*¶. The majority of the Court of Appeal, while allowing the appeal of the Revenue on technical grounds, construed the scheme as involving (inter alia) two unfettered and independent steps: (1) sale of shares by the taxpayer to a specially-created company, FNW; (2) sale on, by FNW pursuant to the scheme, to the ultimate American purchaser. Lord Justice Eveleigh, bluffly disagreeing, pointed out "there was no real possibility at any time that the shares would not reach the American company," and accordingly took the view that the taxpayer should be treated as having disposed of the shares "to the American company." (This dissent has now the approval of the House of Lords.)

Chinn v Collins§—seen by many, like Waterloo in the words of Wellington, as "the nearest-run thing you ever saw in your life"—may be seen as akin to the break-through, beloved of cricket commentators.

A unanimous Court of Appeal, led by the punctilious Lord Justice Buckley, had picked its way delicately through the details of a scheme which (*as Lord Wilberforce was* to point out) could only have been carried out by transferring to the taxpayer-beneficiary a parcel of shares to which at the start of the scheme he was (contingently on his surviving all of three days) entitled; and had, construing each step in *isolation, reversed* Mr. Justice Templeman's robust and "simple chap" (his Lordship's own phrase) approach. That Court's "separatist" attitude is now utterly discredited.

A postscript may be in order. The correct advice—indeed that which at least one competent *firm of City solicitors has for* years been giving to clients minded to indulge in this or that avoidance scheme—for taxpayers is this: To gain a genuine commercial objective, you are not bound, and never have been, to follow a route which enables the Revenue to put the largest possible shovel *into your stores; but, and it is a* big "but," the Revenue strongly dislikes artificial schemes of every kind. It now has the backing of the Law Lords in fighting such schemes in every possible way. Tax avoiders have been duly warned.

* [1981] 2 W.L.R. 449; † I.R.C. v. Westminster (Duke) [1936] A.C.; ‡ [1970] A.C. 77; § Chinn v. Collins [1981] 2 W.L.R. 14; ¶ [1978] Ch. 295; Lords Wilberforce and Keith of Kinkel dissented in the House of Lords [1980] A.C. 695.

'Discriminatory' view of scroungers

THE Government's approach to prevent welfare benefit scrounging and tax frauds is "discriminatory and based on emotion," says the Legal Action Group. It adds: "Not only is the amount lost by social security fraud small when compared unclaimed benefit, it pales into insignificance when compared with money lost as a result of tax and VAT fraud."

The group claims that nothing is done to ensure that citizens obtain the welfare benefits which are their legal right—in 1978, £500m of welfare benefits remained unclaimed. LAG says a survey by a citizen's advice bureau in Leeds showed that out of 40 disabled people only five were receiving their full entitlement.

When they were helped, they received an average £6.31 per week.

Harwood shines at Salisbury

RACING

BY DOMINIC WIGAN

WHILE Messrs Champion, Thorne, Blacker and their respective mounts, Aldaniti, Spartan Missile and Royal Mail were soaking up the accolades and congratulations at Aintree, a man whose reputation was built on National Hunt racing was more than happy to be at Salisbury.

That man is Guy Harwood. Responsible for transforming his Pulborough stable from a modest jumping establishment to a 100 h.p. Flat training centre with *almost unrivalled facilities*, he was at Salisbury to see the Guineas trials.

In neither the 1,000 Guineas preliminary nor the 2,000 Guineas trial can he have had an anxious moment.

Those victories came only hours after the news broke that Storm Bird is temporarily on the easy list because of lameness.

Harwood, responsible for Storm Bird's March 2,000 Guineas rival, To Agori Mou, could not be blamed for thinking that things are working out almost suspiciously well at this *early stage in the season*.

Go Leasing, a chesnut daughter of "Arc" hero Star Appeal, was Harwood's first Classic proposition to be seen out at Salisbury.

Looking fitter than most, Go Leasing won with complete authority. Always travelling smoothly in the hands of Greville Starkey, who incidentally pulled off that 1975 Longchamps win, Go Leasing had her *rivals in trouble more than a* quarter of a mile out.

Although it is early days yet and there are several more important 1,000 Guineas trials, Go Leasing will clearly not be disgraced at Newmarket whatever the going.

An hour after Go Leasing's impressive performance her stable-mate, Recitation, won with only marginally less authority in landing the Salisbury *2,000 Guineas trial* at the chief expense of Tahoe.

Recitation, the joint top-rated juvenile in France with Critique on the strength of his Grand Criterium victory over that rival, has always been considered by Harwood some way behind To Agori Mou and will not cross swords with his stable-companion at Newmarket.

Instead, the Elocutionist colt (another Harwood bargain yearling *at $35,000) will be aimed* for the French 2,000 Guineas before, hopefully, taking in the Prix du Jockey Club and the Irish Derby.

NOTTINGHAM
- 2.00—Milk Heart***
- 2.30—Settled
- 3.00—Audley End
- 3.30—Simla**
- 4.00—Royal Kingdom
- 4.30—Northern Prince*
- 5.00—Government Program

TV/Radio

† Indicates programme in black and white

BBC 1

6.40 am Open University (Ultra high frequency only). 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45-2.00 Heads and Tails. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Cheggers Plays Pop. 4.40 The All New Popeye Show. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Fred Basset. 5.40 News. 5.55 Regional News Magazines and Nationwide. 6.20 Nationwide. 6.55 Ask The Family. 7.20 Star Trek. 8.10 Panorama (The secret world of gold and diamonds). 9.00 News. 9.25 The Monday Film: "Cool Hand Luke," starring Paul Newman. 11.30 Education Shop. 11.55-12.00 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.55 News Headlines; News and Weather for Wales.

Scotland — 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.55 News Headlines; News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.30 Amateur Boxing (Ulster v East Germany). 12.15 am Education Shop. 12.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40 am Open University. 11.00 Play School. 3.50 pm Open University. 6.55 Artists in Print. 7.20 Cameo. 7.30 Mid-Evening News. 7.40 Roots of England. 8.15 Marti Caine. 8.40 Yes Minister. 9.10 Horizon. 10.00 Saw It With Baby Grand. 10.45 Newsnight.

LONDON

9.30 am Who's Afraid of Opera? 9.55 The Land That Came in From the Cold. 10.20 "Woman of the Year," starring Renee Taylor and Joe Bologna. 11.55 Betty Boop Cartoon. 12.00 We'll Tell You A Story. 12.10 pm Rainbow. 12.30 Vet. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "The Blue Lagoon," starring Jean Simmons and Donald Houston. 4.15 Five Maple Minutes. 4.20 Graham's Ark. 4.45 Ad Lib. 5.15 Money-Go-Round. 5.45 News. 6.00 Thames News. 6.25 Crossroads. 7.00 Nature Watch. 7.30 Coronation Street. 8.00 Hi Ged Tidewater. 8.30 World in Action. 9.00 The Sweeney. 10.00 News. 10.30 "Cahill: U.S. Marshall," starring John Wayne. 12.35 am Close: "Sit up and Listen" with Rosalind Runcie.

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Pavilion Folk. 10.00 A Diary of Civilisations. 10.50 Artistry in Taranto. 11.15 Poetry of Landscape. 11.40 Freddy Cream Green Bowling. 1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "The Million Pound Note" starring Gregory Peck. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 10.30 Lou Grant. 11.30 Rock Stage. 12.30 am Reflection.

ATV

9.35 am Call It Macaroni. 10.00 The Land That Came In From The Cold. 10.25 Feature Film: "Four On Trial" starring George C. Scott. 1.20 ATV News. 2.00 The Monday Matinee "Dirty Money" starring Alain Delon. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 Rockstage. 12.15 am Something Different.

BORDER

9.30 am Bailey's Bird. 9.55 Jabberjaw. 10.20 Stars on Ice. 10.45 Chopper Squad. 11.35 Mork and Mindy. 1.20 pm Border News. 2.30 Monday Matinee "Call Her Mom" starring Connie Stevens. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. Lookaround Monday. 6.15 The Collectors. 6.30 Mr and Mrs. 10.30 Pro-Celebrity Snooker. 11.15 Rockstage. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and weather. 2.00 The Monday Matinee: "Then Came Bronson." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Channel Report. 6.20 Cartoontime. 6.30 Mork and Mindy. 10.28 Channel Late News. 10.35 Twenty Years. 11.30 Rockstage. 12.25 am News and weather in French.

GRAMPIAN

10.00 am First Thing. 10.05 Larry the Lamb in Toytown. 10.20 Stars On Ice. 10.45 The Lost Islands. 11.05 Jabberjaw. 11.50 Heidi and Batcheler Cartoon. 1.20 North News. 2.00 Monday Matinee: "Istanbul Express" starring Gene Barry. 3.45 Money-Go-Round. 5.15 Mr and Mrs. 6.00 North Tonight. 6.30 Out of Town. 10.30 Lou Grant. 11.30 Rockstage. 12.30 am North Headlines.

GRANADA

9.30 am The World We Live In. 9.50 Spiderman. 10.15 Tarzan. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Foster and Laurie." 5.15 Mr. and Mrs. 6.00 Granada Reports. 10.30 PL Action (Oldham and Wakefield). 11.15 The Monday Movie: Robert Horton in "The Spy Killer."

HTV

9.45 am The World We Live In. 10.10 22 Rescue You. 10.40 Fangface. 11.00 Sesame Street. 1.20 HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee. 5.15 Mr. and Mrs. 6.00 Report West. 10.28 HTV News. 10.30 Quincy. 11.30 Rock Stage.

HTV Cymru/Wales—As HTV West except: 12.0-12.10 pm Fialabalam. 2.00-2.30 Hamdden. 4.15-4.20 Garonn and Sae. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 10.30 World in Action. 11.00-11.30 Punchlines.

SCOTTISH

9.55 am Fiddlers of James Bay. 10.20 Spread Your Wings. 10.45 Stars on Ice. 11.10 Wild, Wild World of Animals. 11.35 Hot Air. 1.20 pm News Headlines and road and weather report. 2.00 Monday Matinee: "Istanbul Express" starring Gene Barry. 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.30 Crimedesk. 10.30 The Jazz Series. 11.00 Camera. 11.30 Rock Stage. 12.30 am Late Call.

SOUTHERN

9.30 am Gray Angels of Small Hope. 9.55 George Hamilton IV. 10.20 Animated Classic. 11.20 Wild, Wild World of Animals. 11.45 Cartoon Time. 1.20 pm Southern News. 2.00 Housepraty. 2.25 "The Family Knock." 3.45 Money-Go-Round. 5.15 Welcome Back, Kotter. 6.00 Day by Day including Southsport. 10.35 Music in Camera. 11.05 W.K.R.P. in Cincinnati. 11.30 Rockstage.

TYNE TEES

9.20 am The Good Word, 9.25 North East News. 9.30 Survival. 9.55 George Hamilton IV. 10.20 Hanna Barbera Classics. 11.10 Wonderworks and Posse Impossible. 11.25 Beachcombers. 11.50 Sally and Jake. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Dangerous When Wet" starring Esther Williams and Fernando Lamas. 5.15 Mork and Mindy. 6.00 North East News. 6.02 Mr. and Mrs. 6.30 Northern Life. 10.30 North East News. 10.32 Northern Report. 11.00 BJ and the Bear. 12.00 A New Look at the Second Commandment.

ULSTER

10.45 am Call It Macaroni. 11.10 Wilderness Alive. 1.20 pm Lunchtime. 2.30 Monday Matinee: "Call Her Mom" starring Connie Stevens. 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster weather. 10.30 By This I Live. 11.00 Soap. 11.30 Bedtime.

WESTWARD

9.30 am Le Village. Un Village. 9.55 The Lost Islands. 10.20 Cities—Mai Zetterling's Stockholm. 11.05 Spiderman. 1.20 Falter Deal Fashions. 1.27 pm Westward News Headlines. 2.00 The Monday Matinee: "Then Came Bronson." 3.45 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Westward Diary. 10.32 Westward Late News. 11.30 Twenty Years. 11.30 Rock Stage. 12.25 am Faith for Life. 12.30 West Country weather, shipping forecast.

YORKSHIRE

9.30 am Sally and Jake. 9.55 Tarzan. 11.30 Stars on Ice. 11.55 The Undersea Adventures of Captain Nemo. 1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Cartoon Time. 2.35 Monday Matinee: "Safari" starring Victor Mature. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 PL Action (Oldham v Wakefield Trinity). 11.15 Rockstage.

RADIO 1

(S) Stereophonic broadcast. ‡Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Ed Stewart's Request Show (S). 4.00 Much More Music with Jean Challis (S). 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with The Best of Jazz (S). 9.55 Sports Desk. 10.00 The Monday Movie Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: The Court of the Sun King (S). 10.00 Cardiff University Recital (S). 11.20 Handel and Corelli concert (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 Pianists in Profile (?) Arthur Schnabel. 4.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Three Pieces by William Heskin. 7.25 Schnabel Plays Beethoven. 8.00 Unmasking Medicine. 9.30 "Le Menage des Lanternes," operetta in one act by Offenbach (S). 10.15 The Nature of Archaeology. 10.35 Jazz in Britain (S). 11.00 News. 11.05-11.10 Tonight's Schubert Song.

VHF—Open University. 5.55-6.55 am and 11.15 pm-11.55 and for students in Scotland, Wales and Northern Ireland only. 1.55 pm-4.55 pm.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Glyn Worsnip looks through the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 9.55 British Red Cross. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Songs for the Times (S). 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Cliché (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.30 A Breath of Fresh Air. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 A Murder of Quality by John Le Carre. 7.00 News. 7.05 The Archers. 7.20 Just a Minute (S). 7.50 The Monday Play (S). 9.45 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.00 The Tony Fish Total Music Show. 12.30 Tony Blackburn. 5.00 Home Run. 7.00 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Rock. 10.00 Late Night London. 12.00 Close: As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

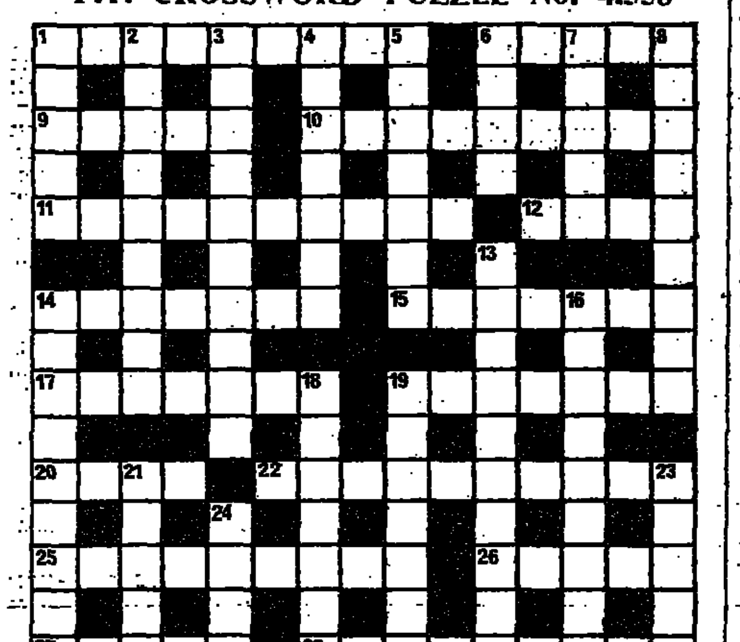
London Broadcasting

5.00 am AM: Bob Holness and Alan Clark. 10.00 Brian Hayes with guest Lord Chalfont. 1.00 pm LBC Reports. 7.00 pm London Life. 8.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.00 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

4.30 am John Sachs's Breakfast Show. 9.00 Michael Aspel. 12.00 pm Nicky Horne. 1.00 First Report. 1.10 Nicky Horne (continued). 3.00 Roger Scott. 7.00 London Tonight. 8.00 Teach Your self Yoga. 9.00 "Time to Think." 9.30 Hear Sir Clement. 10.00 Drive. 11.00 Adrian Love. 2.00 am Duncan Johnson's Night Flight.

F.T. CROSSWORD PUZZLE No. 4,538



ACROSS

1 Church without members is unattractive (9)
6 Thwart dishonest race lost by collusion (5)
9 Bearing right for a runner (5)
10 Fuel storage tank some put in broken grate (9)
11 Joe's second name and what he was, profitless, but attractive to customers (4-6)
12 Shrewd part of a foot (4)
14 The cost of carrying wine to mature (7)
15 That which is towed but appears in front of the film (7)
17 Bird with lice mixed in pan (7)
19 Punishment for soldiers for failure under stress (7)
20 Pudding that's no good (4)
22 Begin correspondence or message for one person, but intended for public reading (4, 6)
25 Impart information to free from prejudice (9)
26 Nought to beat but an old Japanese coin (5)
27 The number one spirit (5)
28 The first two of climbers going to mountain are the most intelligent (9)

DOWN

1 Skeletal deposit right in the middle of coal (5)
2 Primitive cats learn to become adjusted (9)
3 Alley over vault in tube station (6, 4)
4 Cut into and bury (7)
5 Be ready to believe a person thought to be guilty (7)
6 Search thoroughly for company doctor (4)
7 Animal making the Cockney sound warmer (5)
8 Saturate cleaner in a great wave (9)
13 Conflict over two notes? It's a racket! (10)
14 Sounded like a bird with a bore in narcotically induced sleep (4-5)
16 Radiation used in gentle perm (5, 4)
18 Changing nice top that could be one-sided (7)
19 Public money may be fine around a North American state (7)
21 Iron left on criminal (5)
23 Rectify the Conservatives? (5)
24 Old silver edition (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tomor. TRIPLE BILL. London Festival Ballet. JULIUS CAESAR. 104 balcony seats avail on day.

COVENT GARDEN. CC 240 1066.

SADLER'S WELLS THEATRE. EC1. 837 1672.

THEATRES

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ARTS.

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CRITERION.

DRURY LANE.

DUCHESS.

DUKE OF YORK'S.

GARRICK.

GLOBE.

GREENWICH THEATRE.

HAYMARKET.

KING'S HEAD.

LYRIC.

MAYFAIR.

NATIONAL THEATRE.

NEW LONDON.

OLD VIC.

PALACE.

PALLADIUM.

PHOENIX.

PICCADILLY.

PRINCE EDWARD.

PRINCE OF WALES.

QUEEN'S.

RAYMOND REVUEBAR.

ROYAL COURT.

ST. MARTIN'S.

SAVOY.

SHAFTESBURY.

STRAND.

TALK OF THE TOWN.

VAUDEVILLE.

VICTORIA PALACE.

WAREHOUSE.

WHITEHALL.

WINDMILL.

WYNDHAM'S.

YOUNG VIC.

CINEMAS

CLASSIC.

CURZON.

ODEON.

PRINCE CHARLES.

ART GALLERIES

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Centre Pompidou, Paris

Les Realismes

by WILLIAM PACKER

Paris has attractions enough, goodness knows, and the visual arts will always stand high among them. If for a decade or two the local contemporary activity has been less than interesting, even so no stay ever seems long enough to do justice to the great collections, the exquisite smaller museums, and the battery of special exhibitions that always seems to be going full blast.

Modigliani, and new painting from East Germany at the old Musée d'Art Moderne; the most wonderful collection of artefacts from old Japan, and an exhibition of ancient Mesopotamian treasures from the Baghdad Museum; side by side at the Petit Palais, and so on.

Sumer, Assur, Babylone at the Petit Palais (until June 14) is to be particularly recommended, not over-large and therefore most choice, bringing us from the most ancient times down to the Hellenistic, Christian and so on to the Islamic periods with admirable concision and despatch. The consistent, even genial humanity of even the most archaic of these objects is striking and rather moving, touching us still across the millenia.

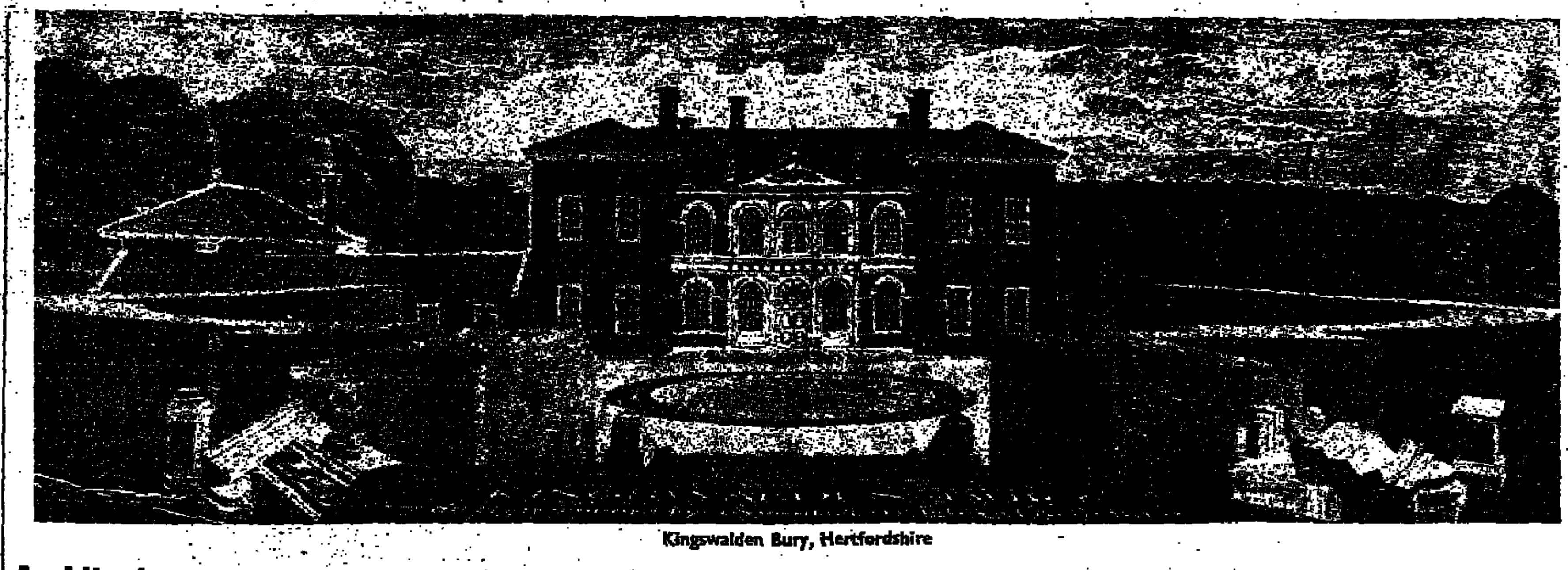
But I have yet to mention the Centre Pompidou, where one of the major exhibitions of the winter soon comes to an end (April 20), and should be seen while there is still time, as much for its waywardness and oddity as for its supposed intentions. It covers the 20 years between the wars, ground now rather well trodden after other important exercises in recent years — Tendencies of the Twenties: Berlin; Neue Sachlicheit and Dada & Surrealism: London; and, of course, Paris-Berlin and the other axis shows at Beaubourg itself. But this show, Les Realismes, makes its own singular contribution, bringing together an extraordinary, genuine and in many respects generous international melange of stuff, much of it familiar, but full nevertheless of discoveries, surprises and imaginative suggestions and comparisons.

Realism itself is used simply as an epithet of convenience, embracing figurative work of all kinds: Metaphysical Painting, The New Objectivity, Verisme, Precisionism, the Return to the Object, and so on. We start with the metaphysicals, de Chirico, Morandi Carra, and Sironi; and at the end we are given a taste of official Nazi Realism, dire stuff in all conscience, with something of the current decadent opposition to confirm the judgment.

Italy, France and Germany dominate the show, as they should: the Germans particularly seem to grow in stature with every further demonstration, and not just Grosz, Beckmann (who is rather passed over here) and Dix, but such painters as Schlicter, Hubbuch, Schad and that most prescient symbolist, Radziwill.

But though other countries are treated reasonably, even indulgently, the organisers' dismissal of British painting in their period is scandalously offhand, unfair, and indeed perverse, for it robs their show of a significant element. Stanley Spencer is well shown, with two strong paintings and drawings besides: but all he has for company is a small self-portrait by William Roberts, a drawing by Hilda, and a William Coldstream portrait to document a literary connection.

Any list of omissions would be extensive: in the light of what work has been included throughout the show, Edward Burra, Edward Wadsworth and Paul Nash stand as extremely notable absentees, and an unarguable case can be made for such artists as Brockhurst, Newton, Frampton, Monnington, to say nothing of the Scotsman, James Cowie. The case was made, energetically by all accounts, but went unaccepted.



Kingswalden Bury, Hertfordshire

Architecture

Classics for pleasure

by COLIN AMERY

It has become a tiresome cliché to talk about the end of the Modern Movement in architecture. It is, however, important to state as often as possible that the belief in modern architecture as the route to social progress was a false one. Concrete and functionalism have failed to produce an architectural language that is both aesthetically satisfying and socially progressive. Our towns and cities are deplorably marred by the lumpen creations of a false ideology that was adopted so enthusiastically during the post-war building boom. The question that is always being asked about this sad situation is, what kind of architecture can get us out of this mess?

I do not believe there is one answer. There are several alternatives. There could be a return to the classical style. There could be a merging of technology and design to a degree that produces a manageable machine aesthetic. There could be a return to a more hand-made kind of building that is closely related to the vernacular of our craftsmen made villages. It seems to me that in architecture there is no more certainty than in any other field of creative activity.

In London at the moment there is an exhibition of the work of an English architect who believes that he has rediscovered a calm and certain way to build. His name is Quinlan Terry and he is an architect who works in the classical tradition. He has no doubts; for him the Orders and all that they lead to in architecture are God givene — a matter of faith.

Before writing about Quinlan Terry's own work it is important to establish his pedigree. He is the heir to the last great English architect who worked within established traditions and remained untouched by modernism, Raymond Erith. Erith found a measure of fame when, in the 1950s and early 1960s, he was responsible for the rebuilding of Nos. 10-12 Downing Street. He had in fact been in practice since 1928 and had entered more than 50 competitions for civic buildings without success—so strong were the prejudices against traditional or classical architecture. Quinlan Terry joined Erith in 1962 and took over his practice in 1973 when Erith died aged 69. It was Raymond Erith who kept the flame of classicism burning and one day historians will be able to judge his true place in English 20th century architecture.

Quinlan Terry has written down his beliefs in the catalogue of the exhibition of his drawings and they are refreshing to read. First of all he says that he practises as a classical architect and enjoys doing so. He airs the many misunderstandings that exist about classical architecture. Using the classical language is not a form of pastiche, of cribbing from the past, but a way of choosing the right words. The language can be well or badly used. But many people will say how can an airport or a multi-storey car park be designed in the classical way?

Quinlan Terry admits that there is no easy answer to these questions but reminds us that when Bramante had to evolve a way of uniting the circular pagan temple with an early Christian basilica he came up with the Renaissance church plan typified by St. Peter's in Rome. New problems can be solved by the application of old principles.

There are many misunderstandings about building materials—Terry maintains that most modern materials have a shorter life than most traditional ones. Roofing felt, for example, has a shorter guarantee than most refrigerators. The best building materials are almost inert — most modern materials have a high coefficient of expansion and are therefore not going to last so long. Terry points out that the Pantheon in Rome, which is built of brick and lime mortar, has a diameter of 142 feet and has stood for nearly 2,000 years. No reinforced concrete structure could last as long; once air and damp have penetrated to the reinforcement there is nothing that can stop the eventual collapse.

Do traditionally built classical buildings cost more than glass and steel buildings? The answer according to Terry is that cost must be related to maintenance and permanence. A traditionally built office building in London is shown in the exhibition that cost slightly less than a "modern" version when it was built. It has a Georgian proportion of window to wall and so does not need air conditioning and is therefore cheap to run.

The drawings in the exhibition are the evidence for the architect's beliefs. The house at Kingswalden Bury in Hertfordshire looks as though it is a transitional Palladian/Baroque villa. The generosity of its proportions is the result of the architect designing in Venetian feet—one Venetian foot equalling one foot tawo inches in English measures. There is a pavilion in the French style designed in 1970 and built in Essex for a client who loved France. A garden in Hampshire contained several buildings by Terry including a column inscribed with a Latin tag about the evils of high taxation, a trompe l'oeil nymphaeum, an elliptical urn and an aviary. All these are lively and experimental uses of the classical tongue. The village of Dedham in Essex has a most agreeable row of houses by Erith and Terry shown in the exhibition by a very fine linocut.

The display of drawings is a delight and it is fascinating to see so many skilfully handled linocuts that do in themselves expand a well-tried medium. The newest and most visible of Terry's buildings is the church hall for St. Mary's, Paddington Green, on a site alongside the Westway in London. The church was beautifully restored by Erith and Terry and this rather utilitarian hall is a simple exercise in stock brick, slates and a basic wooden cornice.

It demonstrates both the virtues and weaknesses of Quinlan Terry's classicism. The scale and siting of the hall in relation to the church are effective and harmonious. But there is a bleakness about the hall when you compare it to the real thing—the church built by John Plaw in 1791. The flat niches painted with trompe l'oeil are not a success—simple classical buildings cannot afford to fall down on the decorative details.

Quinlan Terry demonstrates very successfully that the classical tradition is alive and well and in good hands. The exhibition should be seen because it provides so much pleasure and shows us that there are several paths to perfection and that the old, well worn ones are still worth following.

The Exhibition of Drawings is at Architectural Design, 42, Leinster Gardens, London, W2, it continues until May 2 and is open Monday to Saturday 2.30 to 5.30.

Birmingham Rep

Chips with Everything

by B. A. YOUNG

Arnold Wesker served as a National Serviceman in the RAF and we must suppose that some apparent improbabilities in his play could have happened. If we accept them, the play is an interesting study of human nature under strict discipline. It's interesting that Wesker accepts that discipline does ultimately produce the results it is aimed at, an efficient and (as far as we can see) contented body of men. It may be that I've stopped one point short and that a happy and contented body of servicemen is to him a tragic phenomenon, but that raises a new theme altogether.

Specially interesting is the case of 276 AC2 Thompson, who, coming from a rich and well-connected family, elects to serve in the ranks and indoctrinate his less fortunate colleagues with his own jealous contempt for authority; for Thompson, after a climactic attempt at revolt over bayonet drill, turns into an officer before our very eyes. If Wesker intended this as a sign of weakness, it's hard to see why he followed it with the triumphant passing-out parade, with band playing and flags flying, Per Ardua ad Astra.

Simon Dutton plays Thompson with such loud-voiced dislike for his comrades, even for nice friendly Wingate (Reece Dinsdale), who treats him with pathetic hero-worship, that it's not easy to see why they follow his lead when he tempts them against the officers. The raid on the coke-store is fun, of course; but the lugubrious items in the Christmas concert would only have spoilt the men's evening without achieving anything they would understand.

It's Thompson who lives most among improbabilities. At an interview with his Wing-Commander he is virtually psychoanalysed by a young Pilot Officer who addresses him by his Christian name, and when he reacts with insolence, no one minds. After refusing a direct order from an NCO, he is not changed; he is recommended for a commission. These matters are part of Wesker's dramatic shorthand, to give a theme to the tedious business of eight weeks' initial training. No Scottish recruit would be likely to recite the Lykewake Dirge (certainly not as well as Pat Doyle does); a whole barrack-room wouldn't strike up a folk-song. But the dramatic effects are well made.

Peter Farago's production is good to look at with its barrack scenes spread over Birmingham's vast stage. There's a nice performance by Eric Richard as the shouting Corporal. Hill, but the unhappy assortment of airmen are a bit one-dimensional.

Is it Wesker or Mr. Farago, I wonder, who doesn't distinguish between "shoulder arms" and "slope arms"? Where are the buttons on the men's uniforms they are supposed to polish? And that coke-raid! Unless they were deliberately playing "last across" to tease the sentry, the routine is so badly devised, with delibrate waste of time and manpower, that Thompson, who thought it out, should never be a corporal, still less an officer.

RNCM, Manchester

The Trumpet Major

by ANDREW CLEMENTS

Not even the most ardent admirer of Thomas Hardy would claim The Trumpet Major among his finest novels. Its tangle of romantic scenes among the villagers of Overcombe in the early years of the 19th century is superimposed on the background of the Napoleonic wars with their constant fears of invasion and the traffic of men into the armed forces.

Yet the finest literature is not automatically the stuff of the best operas and vice versa. For the libretto of his new opera on The Trumpet Major, commissioned by the Royal Northern College of Music, Alun Hoddinott turned to Mythawny Piper for the task of gutting the book and fashioning a serviceable libretto. The work had its first performance in the RNCM's magnificently-equipped opera theatre last Wednesday. Visually and musically it is a production of which the College can justifiably feel proud.

Mrs. Piper has had to be extremely ruthless. The three acts of the opera play for two and a quarter hours, and, as she points out, had all of Hardy's loving detail been included "it would have been as long as The Ring." One substantial portion of the plot—the issue of Squire Derriman's will and his nephew Festus' expectations—is entirely removed, as is amost all of the comic business. The character of Festus himself is considerably reduced in importance, from that of equality with Anne Garland's other suitors (at times, indeed, the most pressing of them), to a caricatured comic whose amorous advances are clumsy and desultory.

How much of the flavour of Hardy's portrait of village life survives this and how much of that is left when Hoddinott's music has had its way is doubtful. The opera at least justifies its title more convincingly than the novel. The scenario now centres firmly on the two Loveday brothers and their desires for Anne; John, the selfless, dependable hero who loses the woman and goes off as a trumpet major to die in battle; Bob, the inconstant errant sailor who gains a wife.

Given the unpromising substance of the novel it is difficult to see how Mrs. Piper could have produced anything more theatrically cogent. In such circumstances, one looks to the composer to provide unity. But this manifestly Hoddinott has not done. At times, even, the bombast of the orchestral writing, seems to cut directly across the delicate emotional web the singers do their best to sustain. The scale of the music is all too often wrong: The Trumpet-Major is not, and never can be, a social tragedy of the depth of Peter Grimes or Wozzeck, but Hoddinott apparently does not accept this.

Heavy brass is used indiscriminately to bolster the slightest hint of an emotional crisis: percussion clouds every texture. The lack of distinctive melodic writing for the orchestra is conspicuous, with the exception of a big Straussian tune that seems to function as a "love theme" and a curious tag that keeps suggesting Rosenkavalier waltzes. Otherwise busy-ness is all.

The singers are given a generalised arioso style for most of their utterances, sloughing into fully fledged arias for important soliloquies, contradicted more often than not by their accompaniment. Were the staging and performances not of such a high standard, the evening would have been an irretrievable failure. But the Royal Northern College has gone to enormous trouble to make the premiere as successful as possible. The sets, designed by Robin Don and including a fully operational mill wheel, are a triumph of ingenuity. and the changes between scenes—the opera consists of 18 of them—are entirely efficient.

As the bewildered Anne, Zena Jones is a flexible, credible soprano, Philip Creasy's Bob Loveday is a strong and virile-sounding tenor, moving confidently. Jeremy Munro's John Loveday sounds well but is stiff and slightly too unyielding. Good contributions also from Martin Bussey (Festus) and David Buxton (Squire Derriman) while Elizabeth Gaskell and Robert Roberts do as much as they can with the unsatisfactory roles of Martha Garland and Miller Loveday.

The RNCM orchestra, under David Jordan, plays magnificently. The college takes its production to Cardiff for performances at the New Theatre on April 8 and 10, while there is a further staging in Manchester on April 12.

Theatre Upstairs

Glasshouses

by MICHAEL COVENEY

The Coopers and the Ashtons are Nottingham neighbours in the early 1960s. Stephen Lowe's play begins with both families moving out of council houses into new flats with lots of glass. Memories, says one of the mothers, are welcome to stay buried with the rubble. The teenage children, led by Jim Cooper, stand in the pouring rain outside D. H. Lawrence's Sons and Lovers house. Lawrence denies everything their parents stand for, and Jim, who is stuck on the author and half-way through Ulysses, wants to join the rebellion in his own work of art.

Half-way through a short cinema film on the joys of nudity, he snaps his fingers and realises celluloid and not prose is the way to express himself. In the first of many extraordinary tonal shifts, a holiday in Rimini becomes the setting for his Truffaut-like quest of creating a sensual double life by persuading his chums to strip off and make a bid for spiritual freedom.

Later, there are farcical climaxes with a failed attempt to recreate the nude wrestling scene from Women in Love and a ludicrous orgy on a mattress that is interrupted by the returning older generation. Mr. Lowe reveals once more his acute manner of observation and deadly ear in the picture of the parents' dead marriages. Richard Butler and Bernard Kray, old soldiers both, retreat into maudlin reminiscence in the face of insult and indifference. These performances are, alas, dreadfully wooden. The wives fare better in the capable hands of Margery Mason and June Watson.

It is good to see the Court placing faith in Stephen Lowe, but disappointing, after William Gaskill's exquisite revival of Touched downstairs, to see a large-scale piece cramped unimaginatively into the Theatre Upstairs and designed to a standard well below what we have come to expect. The action is surrounded by boring grey walls and the scene changes, from bedroom, to Italian resort, to rain-sodden streets and a greenhouse prison, are cumbersome beyond belief.

Annie Castledine's production, while scoring with two very good young girls (Karen Drury and Sylvestra Le Touzel), has a central performance by Nick Dunning that loses grip and concentration just as Jim's realisation that he must return to his roots for his artistic fodder is most forcefully suggested.

Palace, Broadway

Woman of the Year

by FRANK LIPSIUS

The musical Woman of the Year takes a big gamble in purposely making its major character unlikeable. Lauren Bacall plays the part of a morning-television star whose off-screen life consists of answering phone calls from the world's most illustrious people. Were name-dropping a laudable achievement Peter Stone's book would be the play of the year. As it is the name-dropping is offensive past the point where it is just boring.

We know Lauren Bacall is purposely unlikeable because Harry Guardino plays a likeable cartoonist who falls in love in spite of her, her heavy schedule, and her interfering male secretary. But then he grows increasingly unbearable himself as their romance develops. When she is busy, he sulks—she accuses him of being resentful of her career, as though he didn't know what he was getting into.

By the end of the first act two unpleasant people who deserve each other have found each other. The one satisfaction comes from two short animated cartoon sequences by Michael Sporn which mirror the cat fights of the human characters. Also, the undistinguished voices of the major characters are absent in one number lustily sung by Grace Keagy as the star's maid and Roderick Cook as her secretary.

The real chance the play takes is waiting for the second act to show its stuff. All of a sudden, Miss Bacall becomes human. She does a marvellous number with Marilyn Cooper as a homely housewife, the two exchanging admiration for each other's lives. Suddenly in the next scene a reconciliation is worked out between the two lovers when he throws a pitcher of water over her to end the play.

Supposedly based on a Katharine Hepburn-Spencer Tracy film, the show is little more than a weak vehicle for Miss Bacall. One suspects her "Woman of the Year" award was won by default, since the only two women with speaking parts besides Miss Bacall are made unattractive, with a stentorian German accent for one and hair curlers for the other. John Kander's music is unmemorable, matching Fred Ebb's lyric, except for some egregious rhyming.

Robert Moore directs with an all-too-clear obligation to move the plot along, while Tony Walton's sets are disappointingly one dimensional and functional.

Wigmore Hall

String sextets

The Wigmore Hall's Dvorak series continued on Saturday evening with a programme of two big works for solo strings played by the Sextet of the Academy of St. Martin in the Fields. In the event, Dvorak's only sextet (op. 48) was put in the shade by Chaikovsky's equally singular op. 70 for the same combination. At last year's Summer concerts—in the church whose name they bear, the Academy played the orchestral version of this musical sketch-book, part-Italianate (with memories of an Italian holiday) part-German Academic entirely Russian under the skin, and in spite of some crudities, a most invigorating and enjoyable work for which these players are right to win a larger audience.

Perhaps the sub-title "Souvenir de Florence," suggesting a mere album-leaf, puts people off. In fact, the Sextet is long, brimming with invention, follows ingenious part-writing, joyfully exploiting the extra sonorities made available by two additional players as strongly as Brahms in his Sextets but more luxuriantly. What is more, the flow keeps up. The finale's second theme is a bonus—a big tune of Elgaran abundance.

All this the Academy players delivered with a will, making the best of the burnish this hall lends to such a combination. The Dvorak Sextet in the first part had made a weaker impression, partly because the leader, Hugh Maguire, here (but not later), provided an indisposed-sounding, wavery top line, partly because Dvorak so delicately avoids over-indulgence in big sound. But the work gathers force; the last two movements are the strongest and Dvorak, not an invariably successful finale-writer, ends with an excellent series of variations in whose final stretta reticence is forgotten and the cap at last sails over the Bohemian mill. Now will the Academy come to the rescue of the Brahms Sextets

RONALD CRICHTON

SOCCER by TREVOR BAILEY

Promotion race that's still so open

The meeting at Loftus Road on Saturday between QPR and Grimsby Town helped to explain why, West Ham excluded, this must be about the most open promotion race ever.

After the match, which Rangers won 1—0 as a result of a totally unnecessary penalty, managers Terry Venables and George Kerr said they did not expect the third position to be decided until the last Saturday of the season.

The QPR team contains more classy, expensive players than are to be found in many First Division sides. In the first 45 minutes the proven talent of Currie and Francis, plus the considerable promise of young Waddock, a fiercely competitive redhead, combined in midfield to produce some splendid football and delightful moves. They should have settled the issue, despite the heavy pitch.

The failure to capitalise on the numerous opportunities was to some extent due to Batch's goalkeeping. But it was mainly because Flanagan and Sealy were an ineffectual spearhead and the left-hand member of their half-back quartet, Silkman, was unable to centre accurately with his left foot.

After the interval the home side lost much of their drive and initiative. It would have come as no surprise if they had surrendered a point to the persistency of the opposition, for whom Whymark and Drinkell proved a formidable pair of lead forwards.

One gained the impression that Rangers are close to being an above-average Second Division side who, if Terry Venables had been in charge of them for the whole season, would now be assured of promotion, rather than hoping to win their remaining five fixtures while their rivals continued to suffer set-backs. Although not impossible this is rather unlikely.

Something is missing from this Rangers side, as was seen when they outplayed the enigmatic Orient earlier in the week and finished losing 4-0. Possibly, there is not sufficient heart when their moves break down and a tendency to waste time blaming a colleague for a stupid mistake, rather than immediately concentrating on repossession.

With the return of the injured Stainrod and the addition of a couple of new, preferably young quality players QPR would be good enough to hold their own in the First Division. Assuming other league clubs are willing to accept a synthetic surface at Loftus Road next season QPR must represent an outstanding bet for promotion.

It has been said, with much truth, that the outstanding manager is the one who capitalises on the material at his disposal, which makes George Kerr one of the finest in the land. Under his expert guidance Grimsby are now within sight of the First Division. They have basically the same players who had clawed themselves up from the Fourth into the Second Division in successive seasons. This, despite the handicap of a limited budget and comparatively home games.

Even if they fail to gain promotion it still represents a marvellous performance; it owes much to the determination, character, and the confidence which winning matches begets. It showed in the way they came back into the game after being a goal down and out-classed throughout the first half.

Although it was difficult to single out individual members of the Grimsby team in their game against QPR, apart from the 'keeper and the obvious potential of Drinkell, it was equally true that nobody played badly or failed to give 100 per cent.

They may have lacked some of their opponents' skill, but one felt they possessed more heart, which is why they are two points closer to promotion with a game in hand.

RUGBY by PETER ROBBINS

Quality sides promise good final

GENERALLY SPEAKING, the major Midland clubs have all had difficult seasons but there is no doubt that there has been a decline in standards in the region.

I would except Leicester from this though they, too, have had the odd embarrassing hiccup along the way. Clearly they had their work cut out to beat London Scottish on Saturday.

In terms of wins, Moseley have had a successful season but their true standard was critically put into perspective by Gosforth who gave them a 24-3 hiding in the John Player semi-final on Saturday.

Certainly the Midland scene appears bereft of the real characters who used to proliferate and attract the public. Crowds will still turn up to see well-organised and adventurous play. They do at Leicester and they did at Coventry last week, when Marcus Rose played his first game for his new club against Maesteg.

I am told that the gate almost doubled and that Rose's zest for the game has given the club a great pivot.

There seem to be fewer players, quality players, that is, filtering through to the first class clubs. This is particularly true of tight forwards. I have no doubt that the demise of the grammar school in favour of comprehensive education has also stemmed the flow.

Moseley get a good supply of players from the local clubs but there are ominous signs that younger players need to be brought into the side. If Martin Cooper, the captain, should retire, then coach John White, would have even greater problems because on Saturday Cooper did more in attack from full back than any other Moseley back. It was mostly in counter-attack but he needed much more class around him than was available.

The basic problem with Moseley is in their pack and at scrum half. Having said that, I was impressed with the scrummaging of Astley, their loose-head prop, who prevented a complete rout and also got stuck in in the loose. Collectively, Moseley could not hold Gosforth in the tight. Ayre nor Field could match Roberts and Bainbridge at the line-out where Jeavons was Moseley's only hope Jeavons ought now to be dominating club games but he is not doing so.

The forward shambles exacerbated Morley's passing difficulties at scrum half and, possessing no break, Moseley's options were limited. Gifford surely would have been a sounder choice. As it was, Perry, the fly half, recovered well from a ghastly start and defended well with his centres, Desborough and Osborne.

Gosforth, the team, is like the club, well-organised and hard-working. Roberts and Bainbridge make a splendid second row and Roberts looks much fitter now that he is living back in the area. They also have a great worker in their flanker, Anderson, who had such a fine game against Gloucestershire in the county final.

It was admirable to see the basics of forward play done so consistently and with such finesse but I think Gosforth tend to under-rate the attacking potential of their three-quarters.

With Young at scrum half, they have one of the wisest heads in that position and it is he who directs the play when the pack designs to let the backs have the ball. His varied use of the possession was something Moseley simply could not cope with.

Johnson still impresses me as a neat fly half but he could stand flatter and wider to ensure that his forwards are nearer the breakdowns.

Leicester, whom Gosforth meet in the final on May 2, will also have to watch McMillan in the centre and McDowell, both of whom are distinctly quick and elusive. It promises to be a good final and it is totally appropriate that two such quality sides should contest it. My own bet is that Gosforth will win a close game.

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A secondary Polish crisis

IN POLAND two crises coincide—one political and the other economic and financial. The emergence of pressure for reform within the Polish Communist Party has quite clearly been a key development, provoking a new intensity of Warsaw pact sabre-rattling and now prompting a highly symbolic visit by President Brezhnev to Prague to discuss the Polish situation. This mounting political tension has been paralleled by a sharp worsening in Poland's other crisis, involving $24bn of international debt.

Aimed

Only a month ago there was an unspoken consensus between the Soviet Union and the West that Poland needed aid and debt relief. Each side had different motives. Soviet support was designed to bolster the Polish regime in its efforts to contain the aspirations of Solidarity. It also preserved the image of Comecon's creditworthiness under the Soviet "umbrella."

The West's bandaging operation was designed to avert Polish bankruptcy while longer-term debt relief was being organised. It was also aimed at supporting the emergence of a "Polish solution" thus providing a basis for Polish economic reform.

Financial events have now taken a nasty turn. It is evident that the Soviet supplies of hard currency to Poland, which were a significant contribution towards the $7.5bn which Poland owes this year in interest and repayments, have been cut off.

There may be an element of financial brinkmanship in this—*pushing the West towards speedier efforts to provide Poland with debt relief*—but *there is also the more ominous* suggestion that the Kremlin views further financial support *of the Polish regime as counter*productive, and that Poland is now judged to have strayed *beyond the circumference of the* Soviet umbrella.

Poland's resulting cash shortage has been exacerbated by Western banks withdrawing substantial quantities of hard currency deposits from Polish banks, even while these banks are negotiating to reschedule Poland's bank debt. The predictable result of this combination punch, accentuated by Poland's deteriorating export performance, is that Poland is in arrears in its debt servicing. It is defaulting, but has not yet been declared "in default" by Western banks.

These events lend greater urgency to the talks which Western Governments and Western banks hold this week on the rescheduling of Polish debts to each group. The task for Governments is complicated by the fact that while the need for such relief is now extremely pressing, the political considerations involved in extending it have become trickier.

A recent statement by the West German Chancellor, Helmut Schmidt, underlined the West's new inclination to attach political conditions to the West's aid to Poland. After consulting NATO allies, the Chancellor said that Poland should receive financial help only so long as no external or internal force were used against the Polish people.

Even viewed as a normal "Paris Club" debt relief operation, the Polish case is formidably difficult. The amounts owed by Poland—some $13.5bn to *banks and a further $10bn* guaranteed by Western Governments—are in a different league *to previous operations of this* sort.

Awareness

The absence of the IMF from the procedure (Poland had to relinquish its membership in 1950 on Stalin's orders) has left a yawning information gap between Poland and its creditors.

Now, in addition, there are political complexities to be allowed for. Western Governments are already using the threat of reduced aid—two edged weapon though it is—to deter the Soviet Union from repression in Poland. And although they are rightly trying *to provide financial support for* Poland while hope remains they also have to recognise that any *longer term programme of aid*, new credit and debt relief to Poland will have to be termin*ated abruptly in the event of* subsequent repression. It is hard to see how the West can morally do otherwise; if it is to avoid underwriting an unacceptable regime.

Private banks are freer agents in lending across political divides than are Governments, but if official financial relations with Poland were broken off could the credibility of their $13.5bn in Polish assets be sustained? And if not, could the Western banking system absorb the consequent write-off? Such questions have long lain dormant as the West's financial exposure to the Warsaw pact has developed and the Polish crisis is now forcing Governments and bankers to face up to them.

Questioning a one-way traffic

LIKE MUCH of Britain's government machinery, the system for vetting transfers of senior public employees to jobs in the private sector is shrouded in secrecy and contains an element of institutionalised smugness. Thus it was not unreasonable for the House of Commons Treasury and Civil Service Committee to express general disquiet about this system, *without in any way* questioning the probity of the many highly-paid appointments which have been secured in recent years by public servants who have had intimate dealings on behalf of government with the companies which later offered them employment.

Dangers

It is not sanctimonious to worry about public servants having "£25,000 jobs in their knapsacks," to quote one of the Treasury Committee's members, when they take crucial decisions involving very large sums of taxpayers' money. There are dangers in excessive intimacy between government departments and private companies not just in the obvious area of procurement, but also in the development of long-term strategies which profoundly affect interests much broader than those of industry. A "sponsoring department" should not be allowed to become a publicly-financed lobby for a sectional interest, even subliminally.

The desirability of more "cross fertilisation" between *the private and public sectors* does not imply that the dangers should be brushed under the carpet. In any case, the need for transfers from the public sector into the private is much less obvious than the need for movement in the other direction. But the appointment of people with outside commercial experience into senior positions in the civil service is at present blocked not by vetting procedures, but by the totally introverted career structure of *the Civil Service itself. It is*, therefore, entirely reasonable and in no way harmful that some questions should be asked when senior civil servants who wish to take jobs with private companies, particularly companies with which they have had direct contact.

The existence of a vetting procedure does not mean that civil servants are suspected even of "subliminal corruption" in their procurement or policy decisions, or that potential employers are likely to tempt them away in order to gain confidential information about competitors. In fact the cases which cause most public unease are not those involving civil servants in mid-career who move from commercially-oriented jobs in government to similar ones in the private sector, but the transfers on retirement of very senior civil servants. When permanent *secretaries or military chiefs* join the private sector as non-executive directors, they leave *behind them trails of powerful* contacts all over Whitehall, which could potentially be turned to any employer's advantage.

Planning

Of course all sorts of informal contacts and interlocking directorships are taken for granted in the private sector. The great difference between the two cases is that in the private sector, decisions on matters such as procurement and strategic planning are taken under the constraints of profit maximisation and answerability to shareholders. There is therefore no reason why the public should in general be concerned about the influences that are being brought to bear on them.

It is only to the extent that Government departments take decisions which are not subject to commercial criteria and make policy choices without adequate public debate, that the private motivations of individual civil servants become relevant. The best response to concern about the relationships between public servants and private interests lies not in more elaborate personal vetting but in exposing *the whole system of govern*ment to tighter commercial criteria and more public scrutiny.

ELECTRICITY CHARGES

How the Germans fix the price

A fierce debate is raging about comparative international energy prices. But not every country *fixes electricity prices* centrally like England's *State-owned supply* system. **Kevin Done** reports from Frankfurt that West Germany's power industry is "the mixed economy at work." **Ian Hargreaves** (below) visits a U.S. power utility whose "biggest discipline is to . . . produce a profit to stay in business."

Terry Kirk

WHILE BRITISH companies complain bitterly that they are having to pay twice as much for their electricity as their rivals in West Germany, companies in the Federal Republic look no further than across the border to France to find reasons for feeling disadvantaged.

Hoechst, one of West Germany's biggest industrial concerns, which uses electricity for many of its chemical processes, claims, for instance, that power costs in France are already 25 per cent lower than in Germany.

A handful of German companies have actually transferred *their investment to France*, but these are only straws in the wind, as yet. "It is a concern of tomorrow and not of today, but we do have worries about losing our competitiveness," says Herr Wolfgang Ziemann, a member of the board of Rheinisch-Westfaelisches Elektrizitaetswerk (RWE).

RWE is the giant of the West German electricity supply industry. It straddles almost every sector with interest in primary energy—it is the main producer of brown coal or lignite in the Federal Republic—in electricity generation, transmission and distribution, and also in the electrical engineering industry.

In the civil engineering sector, it owns 34 per cent of *Hochtief*, one of West Germany's biggest construction groups. RWE produces about *30 per cent of West German* power, and 40 per cent of West German electricity passes along *its lines*.

The breadth of its activities make it unusual for a German power utility, but its capital structure is typical of many electricity supply companies. Some 31.4 per cent of its capital is held by a group of 66 municipalities and other local authorities, including several big cities such as Dusseldorf, Essen and Cologne, which rank *among RWE's most important* customers. The other 68.6 per cent of the equity is in the hands of some *200,000 private* shareholders.

The capital may be predominantly in private hands, but the voting rights are firmly in the public domain with local authorities having 68 per cent of the voting shares. "Power utility shares are the sort of present you used to give young couples on their wedding days because they are safe and sure," says one industry executive. But Herr Ziemann is far from unhappy with this reputation and RWE's DM 8 per share dividend appears as solid a part of the landscape as one of RWE's cooling towers.

The West German electricity supply industry has been built *up around hundreds of indepen*dent local companies, and there are still around 1,000 concerns *involved in public electricity* supply and distribution. Around 680 of these generate 99 per *cent of public power supplies*, however, and of these, some 278 both generate and distribute *electricity, 46 are just power* producers and 356 are involved only in power transmission and *distribution*. There are nine regional transmission grids, and RWE *runs* one of these.

Power suppliers are as likely to be a department of a local authority as they are a private, or public, or state-owned company, or any combination of these forms. But about 83 per cent of electricity is produced by joint stock companies. The majority of these are owned by a combination of public and private capital, in something like the manner of RWE. The Ger*man power industry is the* mixed economy at work.

Such a pluralistic structure leads not surprisingly, to disparities—sometimes quite wide ones—in German power prices. *Householders and industrialists* pay different rates depending on the town or region where they happen to be located. Prices charged to industry by *the* group of 10 most expensive power utilities in the Federal Republic are 19.4 per cent higher than the prices demanded by the 10 cheapest power suppliers.

Even in Germany, however, the free market economy does not mean there is unrestrained competition. All the companies have a quasi-monopoly status and the moments at which the cold winds of competition are allowed to blow are carefully limited.

All price increases for tariff customers — chiefly private households, commerce and agriculture — have to be passed by *the* authorities of the individual states. Large-scale supply contracts for industry or between utilities come under the scrutiny and regulation of Germany's cartel authorities, but *within this framework they can* be freely negotiated.

Pricing policy varies from state to state, with some putting more emphasis on free market principles and others pursuing more social aims. It hardly ever happens that a price application is turned down, and the authorities in judging a "suitable return" appear to take the interest rates ruling in the capital markets plus a few percentage points. This would give returns of capital of more than 15 per cent in present conditions.

As far as long-term supply contracts are concerned, say between RWE and the city of Essen, recent changes in the cartel law ensure that a type of competition exists here because contracts are not allowed to last for more than 20 years. At the end of such *contracts, cities, or companies* are theoretically free to seek their power supplies elsewhere. *In practice, the choice is often* limited to deciding whether simply to re-negotiate the contract or to start producing power oneself. (In practice, it must be said, RWE cannot *remember losing a single big* customer).

RWE has reached the *"optimal size" in terms of* power supply and distribution, Herr Ziemann maintains, and its main preoccupation in setting prices is that the "substance" of the company is maintained and that rising costs are being covered. This is exactly what has been achieved, and depreciation is carried out at current costs. On the last financial year, 1979/80, RWE, the country's third largest taxpayer, showed after tax profits of DM 489m (about $233m) on a *turnover* of DM 18.2bn.

Funds are raised on the financial markets in competition with other corporate borrowers and there are no state subsidies.

Considerable Government financial support is poured into research and development in the industry, but this help is now largely concentrated on the high temperature reactor and the fast breeder nuclear programmes. With the tighter squeeze on the Federal budget, it is looking increasingly likely that these funds could be cut and that the industry will have to finance more of this work from its own pocket, but it appears to be able to shoulder the load, even if it grumbles loudly in the process.

U.S.—'a bargaining session like any other'

"CON ED has New York by *the bulbs*," *say the T-shirts* you can buy on Broadway, proving, if proof were needed, that *having utilities in the private* sector is no guarantee they will escape political controversy.

Indeed a case can be made that more controversy stems from private sector utilities, at least when things go as wrong as they did when Consolidated Edison blacked out the whole of New York City in July 1977.

For the most part, the U.S. is firmly committed to the private sector solution and the Reagan administration is committed to strengthening that state of affairs. But to some at least, the electric utility industry, always and inevitably a monopoly (who wants two companies digging up the streets?) *would be better off under direct* state or city control, especially at a time, such as now in the U.S., *where the industry is suf*fering high interest rates, a demand plateau, and soaring costs for fuel and buildings.

Con Ed's problems—and the city it serves—are not, however, typical. Much more representative of the industry is Public Service Electric and Gas (PSEG) based across from New York, *in Newark. It serves 5.4m people* in a densely populated corridor which contains most types *of industry*, as well as residential communities which range from pampered and park-like *suburbs to bleak ghettoes*. PSEG had sales last year of $2.9bn, which would put it well inside the top Fortune 150 companies, if it were an industrial company.

It is average in the sense that last year it earned an 11.95 per cent return on equity, against an industry average of 11.5 and—most important of all—because the commission which oversees its activities, the New Jersey Board of Public Utilities, is itself considered average, winning a C plus rating from Salomon Brothers, the Wall Street securities firm, in *its latest league table of utility* commission. This is designed to inform investors which companies are likely to get the easiest ride from their watchdogs. Salomon assesses the personalities and make-up of the individuals involved as well as the history of rate applications.

Mr. Bill Scott, PSEG's executive vice-president for finance, *says the system is one of checks* and balances.

When PSEG *wants to put up* its charges, as it does at the moment, it files a foot-thick *document with the Utilities* Board ("I can justify every nickel," says Mr. Scott). *Included in the filing is a plea* for a certain rate of return on equity. PSEG says it needs 17 per cent this year, against the Board's current maximum allowable of 13.75 per cent.

During the next nine months, up to 20 PSEG experts will spend their time answering questions about the filing from major industrial customers and from the general public at sparsely attended meetings. Then a young lady in her early 30s, who is an administrative law judge and who used to work for the Board of Public Utilities, will listen to arguments and make a ruling. Within 45 days of that, the Board itself, composed of two majority party members (Democrats in New Jersey's case) and one minority, is supposed to make a binding ruling. Last year, PSEG asked for $374.5m, or an extra 15.8 per cent—and it got $191.7m or 7.9 per cent. That was one reason why PSEG missed the authorised return on equity target.

In short, it is like any other bargaining session. No side *ever gets all of its demands and* the board can prove sticky on all kinds of important details, *such as who should pay for the* $319m fiasco which occurred when PSEG decided to build a *floating nuclear power station* and then abandoned the idea because of reduced demand and environmental *problems*. The board decided the customers would pay $168.5m and PSEG would have to cover $19.2m. This was considered a fairly generous settlement for PSEG. General Public Utilities, owner of Three Mile Island, faces insolvency because it may have to shoulder a large part of the costs of the accident clean-up.

"The biggest problem, and you always come back to it, is inflation," says Mr. Scott, because the *Commission* makes all its decision on a historic cost basis. So PSEG is always *running to catch up* — a situation made worse by frequent delays in regulatory decisions. PSEG *used to be able to finance* 87 per cent of its capital programme from internal revenue, which was one reason its stock *was popular, but it will be lucky* to manage 50 per cent of the $5bn it plans to spend in the *next five years. Meanwhile infla*tion and high interest rates not only raise the cost of construc*tion, but means that PSEG must* pay about 15 per cent for its bonds.

Its alternatives are to borrow short at even higher rates in the hope long rates will come down (PSEG did this last year multiplying nearly five-fold the interest it paid on short term debt) or to issue new stock. But because investors can see the utility commissions are holding down rates and squeezing investment returns in real terms, PSEG's stock, like almost all other utilities' is selling at below book value. So to issue new stock at that price would be to reduce the value of existing stockholders' investments. This is known as a bind.

Even so, although it is hard for an outsider to judge, it does *seem the utility is performing* well on two counts. It is, because of bigger more modern stations, producing more power with fewer workers (now 12,326 compared with 13,176 a year ago).

Perhaps more important, PSEG *is being forced to hold a tight* rein on costs. Its hourly-paid workers settled last year for a *new two-year contract* which will give them an extra 8.5 per cent in year one and 9 per cent *in year two. Consumer prices* rose by 12 per cent in the U.S. last year. Other PSEG claims of cost cutting are harder to verify, but they are made.

"Our biggest discipline is that we have to produce a profit to stay in business," says Bill Scott, although that statement is only true to the extent that the idea of PSEG going out of business can be conceived. At this point, that is not a solution being taken very seriously, but it is possible that if the public utility commissions around the land squeeze much longer, they will first inflict delays and then cancellations of new plant, eventually risking power shortages.

Perhaps if there were brown-outs and black-outs the sense of crisis which could lead to a change in the industry's ownership structure might emerge, but with a 30 per cent average cushion of spare supplies, that day is a long way off.

MEN AND MATTERS

Rockefeller quits Chase

It was typical of the ease with which David Rockefeller, chairman of the Chase Manhattan Bank, moves in the stratosphere of the business and political world that he should call in a few friends like the chairmen of Exxon, IBM and General Electric to lunch with Margaret Thatcher when she passed through New York recently. Rockefeller's worldwide connections can be rivalled by those of few other men and they have helped to bring a deal of business to the bank.

But though the loss to Chase when he steps down as chairman at the age of 65 later this month will be measured in more than prestige, Rockefeller scarcely cuts the figure of a tough international banker. Hesitant and nervously restless, he has always seemed happier mulling over the world's problems with the great and powerful than hustling for earnings per share.

During Rockefeller's 12 years at the helm, Chase fell behind arch-rival Citibank and went through a minor crisis in the property collapse of the early 1970s. Together with Willard Butcher, Chase's tough and capable president, Rockefeller responded by cleaning up the balance sheet and identifying a set of strategic objectives. He then effectively handed over control to Butcher, the new chairman-designate, a couple of years ago.

Rockefeller now faces the prospect of retirement with some relish. It will give him more time, he says, to pursue pet projects like the Trilateral Commission and the New York City Partnership in which he has assembled world opinion leaders to advise busy governments.

To his distress, the Trilateral Commission has frequently been attacked by both left and right as an international elitist conspiracy. "I hope you don't think of me as the spider in the centre of a web of international intrigue," he said anxiously to a group of journalists assembled at a farewell dinner in Manhattan. "We're serious people trying to do some good for the world."

Rockefeller's well-intentioned missions have not always won him gratitude. He helped secure U.S. asylum for the Shah of Iran, with painful consequences, though he still believes that was the right thing to do. "We offered asylum to Trotsky," he said, "so why not to the head of a nation who has worked with seven presidents?"

Down to earth

So long as it retains tax-free charity status, the Unification Church—the eccentric right-wing religious cult better known as "the Moonies"—will remain a force to be reckoned with in terms of sheer cost-efficiency.

From all the evidence available, the outlay required to convert someone into a rank-*and-file Moonie amounts to* little more than the cost of a few simple meals and a couple *of weekends in the country*. Once converted, I gather from a spokesman at the cult's Lan*caster Gate headquarters*, the average Moonie is capable of raising more than £40 of new funds each week—amounting to about £1.5m in 1978-79 and considerably more than the estimated costs of the lost libel action.

The cost on the other hand of deprogramming a Moonie is rising fast. Knocking the ideological stuffing out of the cultist by psychological, and sometimes physical, pressures is now big business for America's legion of private eyes.

Michelle Rowe, a New Jersey private detective partnered with one Galen Kelly in a pioneering deprogramming outfit, says that with nearly 5,000 cultists in the U.S. she is overwhelmed with clients. The bill is seldom less than $8,000 a head, and often as much as $15,000.

"We get calls from England, Australia, all over the world," says Rowe. "We just can't keep up with the business." Galen Kelly Associates has now taken to sub-contracting the spiritual dry-cleaning to keep abreast of more pedestrian chores like civil litigation, personal injury claims and divorce.

Sixth sense

Former engineers' union leader Lord Scanlon has been entertaining peers with the story of his attempt to assure a school sixth form that Britain was still the best country in the world in which to grow up. "Have any of you ever seen a happy Swede?" he challenged them. "Yes," came the ready response, "in a blue film."

Century mark

A champagne party tomorrow for surely the oldest active company chairman in Britain: Mary Henrietta Anne Moody, head of Stourbridge printers and graphic designers Mark and Moody, celebrates her 100th birthday.

Mrs. Moody took over the post in 1926 after her husband's death and also ran the family's group of weekly newspapers in Stourbridge, Kidderminster, Ludlow and Tenbury Wells until they were sold in 1972. She was the sole surviving Freeman of Stourbridge—whose charter her husband helped secure in 1914—when the borough was abolished in the local government reorganisation in 1974.

Though she now works mainly from an office at her home, Mrs. Moody still makes frequent visits to the works and regularly presides at meetings of the company board whose members include her son and two daughters.

Breakfast roll

Sipping slowly through seven cups of coffee, my man in Tokyo lingered over his breakfast in the 40th-floor buffet restaurant of his hotel to record this gastronomic feat at an adjacent table.

There, a small and elderly Japanese gentleman effortlessly demolished at least 14 American-style sausages, seven small frankfurters, three boiled eggs, four plates of ham, tomatoes and omelette, a bowl of stewed fruit, half a dozen rolls and eight slices of toast liberally coated with butter and strawberry jam. All this was washed down with copious draughts of orange juice, tomato juice, coffee and finally beer.

Anyone fancy doing similar justice now to a standard Japanese breakfast of raw eggs, beancurd soup, dried fish, seaweed, rice and pickles?

Glassy look

Heard in a Bradford hotel bar: "He says he drinks to keep out the cold—I suppose that's why his eyes are double-glazed."

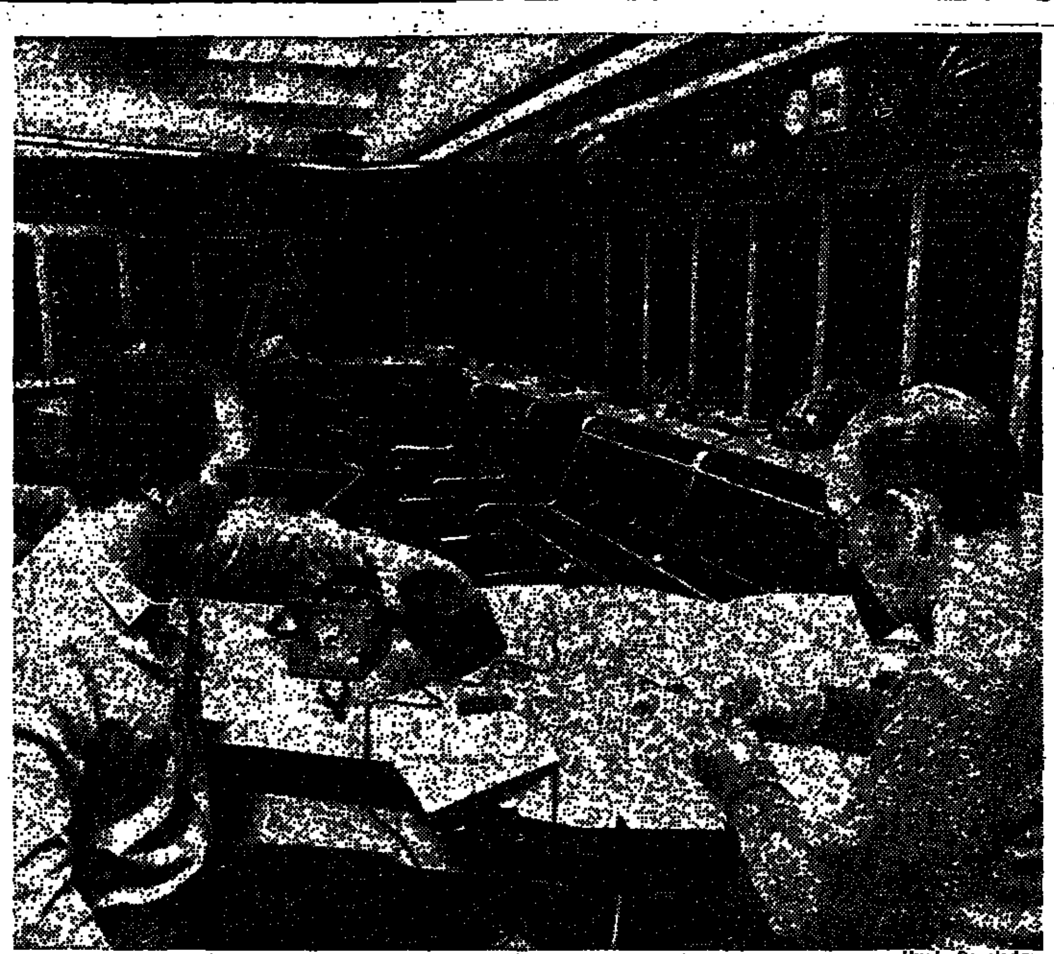
Observer

FINANCIAL TIMES SURVEY

Monday April 6 1981

COMMODITIES

Markets have been severely depressed by the world economic recession which has led to oversupply and low prices. But traders are used to cyclical downturns and many hopes are pinned on the success of gas oil, London's newest futures contract.



Hugh Routledge

Workmen put the finishing touches to the International Petroleum Exchange which opens today in Mark Lane, London

Latest market launched today

By John Edwards
Commodities Editor

TODAY MAY well turn out to be a milestone in the history of the London commodity futures markets. It is the launching date for the new gas oil futures contract which, if successful, could broaden the whole scope of futures trading in London.

The introduction of such an important raw material as oil to futures trading is expected to bring in a considerable body of newcomers to the markets not only from the oil trade but also from a wide range of other interested parties, since oil is used universally.

Although the first contract is for gas oil, the International Petroleum Exchange set up to launch the market is hoping to introduce contracts for other oil products, and perhaps crude oil itself, if the first market gets off the ground.

There are considerable grounds for optimism that the market will succeed, although some traders have become worried recently about the euphoria being built up leading to highly exaggerated expectations that cannot possibly be fulfilled.

However, the positive grounds for predicting a successful market are very valid. There is no doubt that during the past decade the pricing structure of the oil industry, and its ancillary outlets, has radically changed and is now in a highly volatile state—just the situation where the protection against unpredictable price fluctuations provided by futures trading is required.

The recent success of the New York heating oil futures market, where turnover has leapt in recent months to record levels, has demonstrated that the oil trade is definitely interested in futures. Even some of the major oil producing companies, who previously controlled world prices, are using the New York market.

This demonstration by New York that a viable oil futures market can be established, after previous attempts to launch oil futures trading failed in the past, is perhaps the main reason for optimism about London's chances of success. New York has proved it is a viable proposition, something that was doubted previously in view of the oil trade's general ignorance about the role of futures markets.

The presence of an established market in New York will be invaluable to the new market in London. It can be expected that quite a lot of arbitrage business (selling in one market while simultaneously buying an equivalent amount in the other market to take advantage of price differentials) and London traders anxious to boost turnover in the new market will reduce the risk involved in taking uncovered positions by hedging them on the New York market.

The generation of turnover is a vital ingredient in the success of any futures market being launched. The tendency is for the trade, which wants to deal in large volume, to sit aside for a while to wait and see whether the new market is operating properly and if it is worth using. A vicious circle is thus created, since the market has trouble in establishing itself without trade support unless there happen to be particularly exciting developments in the commodity concerned, such as a "bull" phase created by a shortage pushing up prices, which helps attract sufficient support.

Support

The oil market is at present in a fairly depressed state, with the traditionally quiet summer months coming up, but backers of the International Petroleum Exchange are confident that the interest created will be sufficient to keep the momentum going after the initial surge expected during the opening period.

Considerable efforts have been made to ensure that there is both trade and speculative support. It is symptomatic of the changing attitude in London that speculation is no longer the dirty word it has been in the past. It has become increasingly recognised that speculative support is essential for a successful futures market to provide the hedging facilities required by the trade.

Speculators are prepared to be "market makers" taking a contrary view to the trade, which normally has a common view that prices are either going up or down. Without speculators it would be difficult to find a buyer if the general trade view was that prices were going down. Speculative activity also enables the trade to hedge large positions without distorting the overall market trend.

Gas oil futures will have to generate a considerable volume, for example, if the market is to be capable of handling the large hedging orders that could come from the major oil companies, known as the "seven sisters."

Although one or two of the big oil producing companies are known to be using the New York market, their activity has been fairly modest. Main support from the oil trade initially at least is expected to come from the growing number of merchants and traders operating in the market not controlled by the major producers. Several of these companies have established links with commodity brokers to pool their expertise in the two different areas.

It is true to say that there has probably never been better preparation for the launch of a commodity futures market in London, with great efforts going into publicising the project and also "educating" the potential users.

Some clouds remain. One is that the use of a dollar contract is yet to be tested successfully since the removal of exchange control regulations in 1979. Previous attempts in London with dollar contracts, notably cotton, proved disastrous but there now seems no particular reason why it should hinder the new market.

The other unanswered question applies to all the commodity futures markets, and that is the position regarding the clearing house system provided by the International Commodities Clearing House (ICCH) that is a subsidiary of United Dominion's Trust, which has recently been taken over by the Trustee Savings Bank.

Broader base

It is no secret that negotiations are going on at present about the future role of the ICCH, the main intention reportedly being to form a consortium of banks and financial institutions to provide the clearing house with a much broader financial base. It is argued that the present capital structure of the clearing house is simply not big enough to cope with the kind of financial risk it could be exposed to if the oil futures market really gets off the ground, especially as the proposed gold futures market is not far behind.

But these negotiations will obviously take some considerable time, involving a radical change for the whole Commodity Exchange clearing system, and meanwhile gas oil futures is starting to trade with no particular commitment to remain linked to the ICCH.

This is ironic since the ICCH played a vital part in the formation of the oil contract. It was approached by an American, Emmet Whitlock, who devised the New York heating oil contract with a proposal that a similar market should be started in London. The ICCH referred him to the Wool Terminal Market Association, which it knew had spare capacity and had recently devised the New Zealand Wool Contract that deals in NZ dollars and has a unique arrangement of including overnight transactions in New Zealand in the next day's trading in London.

The Wool Terminal Association commissioned a special study on the prospects for an oil futures market and came up with alternatives to the Whitlock contract. However, it decided the expense and time involved was too great for it to handle and passed over the project to the London Commodity Exchange, the umbrella organisation, which took it from there and eventually helped to form the International Petroleum Exchange.

Hopes pinned

So many hopes are being pinned on the success of the gas oil market, partly because other markets have been badly depressed by the world economic recession leading to oversupply, quiet trading conditions and low prices. The incentive to trade futures is greatly reduced during dull periods when there is no real worry about adequate supplies and fluctuating prices. Even the world sugar market, which was the star performer during the early part of 1980, has became much quieter with futures markets in London for "soft" (non-metal) commodities prices tumbling lower in the face of poor demand.

The other major established have suffered even worse in the general malaise that has affected commodity trading worldwide.

The lack of price movement, the high interest rates on both sides of the Atlantic and more confidence in the value of the dollar have conspired to reduce speculative activity in markets to a low ebb. Investors, who at one time viewed speculating in raw materials as a quick way to making a fortune, have become disillusioned. Even those preferring the safer investment in commodity funds and options have not been protected from the general downtrend.

However, the commodity markets are well used to cyclical downturns of this kind. No one doubts that in a year the situation could be very different, with the markets booming again under the impact of supply shortages and soaring prices.

CONTENTS

New York's success helps London's new market

OIL FUTURES
SUE CAMERON

THE CURRENT upsurge of interest in oil product futures markets can be seen as a direct result of the crises that overtook world crude supplies—and prices—in 1979.

The Iranian revolution led to shortages and fears of shortages of a whole range of oil products such as petrol, heating oil, jet fuel, heavy fuel oil and naphtha, which is used to make both petrol and petrochemicals. Prices soared and the upward movement was given added impetus by the more hawkish members of the Organisation of Petroleum Exporting Countries.

Inevitably, people looked for some means of safeguarding themselves against the dramatic changes in crude and crude product prices. A small but growing number in both the US and *Europe believe they may* have found a solution to the problem in the use of futures markets.

The idea of having a futures market in oil products is not *new. A tiny group of* enthusiasts have been pushing the idea for years—on both sides of the Atlantic. But energy futures never attracted much support for several reasons.

Some would argue that oil product futures were not really needed in the past because crude and crude product prices did not change quickly or dramatically enough to hit people hard. Schemes for oil product futures markets were also scuppered by a mixture of ignorance and innate conservatism. Many businessmen—including those in the oil industry itself—were not sure how a futures market would work because they had never used one before.

Some of the major oil companies were — and still are — suspicious that their public image would take a battering if they entered a futures market because they would be accused of trying to manipulate it. Meanwhile oil and oil product traders were worried that a futures market might take away business from them.

There was also the problem that futures contracts ultimately have to be backed up by physical deliveries. This in itself presented difficulties because the possessor of a futures contract might be *thousands of miles away from* the place where physical deliveries were made.

The first attempts to launch an energy futures market in the U.S. failed partly because the *contracts were for physical* delivery in Rotterdam. That was in the early 1970s. But the New York Mercantile Exchange continued to pursue the idea and in 1978 it introduced a futures heating oil contract and a futures industrial fuel oil contract—both for delivery in New York harbour.

This time the scheme got off the ground and business has been growing steadily. In the first month of this year the daily trading volume in the heating oil contract reached a record of 67,368 contracts, each covering 42,000 gallons of oil.

The success of the NYMEX heating oil contract — it has attracted higher volumes of business than the fuel oil contract — has led the Chicago Board of Trade, the largest U.S. commodities futures exchange, to draw up plans for energy futures contracts of its own.

An International Petroleum *Exchange (IPE) opens today* London, dealing initially in futures contracts for gas oil—used chiefly to make heating oil. The backers of the new London exchange admit they have met the same suspicions and lack of interest as did the early pioneers of an energy futures market in the U.S.

But the London IPE has also been much helped by the success of the New York futures market in *oil* products. Those who have found the market useful in the U.S. appear to be spreading the word in Europe.

One fear expressed on both *sides of the Atlantic* has been that oil products futures markets would be no more than a paradise for speculators. Speculators have a vital part to play in a futures market because they provide much of the liquid cash—but the majority of those using oil *futures* markets are people whose aim is protection against losses rather than to make hefty profits.

The majority of people who use the new IPE in London are expected to be businessmen trading in futures as a hedge. What they will try to do is to offset a loss—or profit—in the physical market against a profit—or loss—on the futures market.

The London IPE will initially trade in gas oil futures contracts—priced in U.S. dollars and in 100 tonne lots. Someone who wants physical gas oil might order it on the physical *market for delivery in three* months' time. What he will not be able to do is set the price three months in advance. The eventual charge for physical delivery will be whatever the going rate for gas oil is at the time of that delivery.

But having ordered gas oil on the physical market for delivery in three months' time at an as yet unknown price, the buyer can then go and buy a *gas oil futures* contract for delivery in three months' time at an agreed price.

After three months, he takes delivery of the gas oil he ordered on the physical market. The price could well be $30 a tonne more than he had budgeted to pay. He has therefore made a "loss" — in theory — on the physical market. But if the going price for gas oil has risen by $30 a tonne in three months, he should be able to sell his futures contract for a $30 a tonne "profit." The profit in the futures market offsets the loss in the physical market and the buyer still pays what he had originally planned to pay.

In practice, a manufacturer using a futures market to hedge would probably buy and sell there a number of times during the three month period.

Although all futures contracts have to be backed up by physical products, the majority are in practice mere paper transactions. But in the case of the new IPE, backing will be provided by the International Commodities Clearing House. If someone requires physical delivery of gas oil bought on the futures market and the seller cannot produce it, the clearing house will step in and provide it. The clearing house and the seller who defaulted will then fight the matter out between them, but the customer will be satisfied.

One advantage of having speculators in a futures market is that they normally ensure prices do not rise too high or fall too low. If prices drop speculators normally start buying and push them up again. If prices rise dramatically, the speculators usually sell and prices fall back a little again.

Prices at the new IPE in London will be reached by open outcry on the floor of the exchange. Contracts there can be traded up to nine months ahead and may then be renegotiated but this may be extended to a longer period once the market is established.

Large profits offset by equally big losses

INVESTMENT
IAN PHILION

COMMODITY FUTURES trading has been practised by the few since the sixteenth century. At that time merchant adventurers sold their cargoes while they were still afloat and delivered against their contracts when the ships were safely docked. But it took almost 400 years for the system to catch on. In the past 10 years it has boomed.

Between 1970 and 1980 a 390 per cent rise in soft commodities contracts (cocoa, coffee, sugar, etc.) was recorded by the International Commodities Clearing House (ICCH). Most of this rise came as a result of speculator involvement in the markets which followed the oil crisis of the early 1970s. At this time, returns on traditional forms of investment, stocks, bonds and antiques did not show well against the background of high inflation and rising interest rates. Investors were forced to look elsewhere for profits that could shrug off the ravages of falling real money rates. Many of them settled on the commodities trading terminals.

Stories of fortunes made overnight were reinforced by the precious metals boom and the massive coffee rise that took place five years ago. With most markets, metals as well as softs, up by over 1,000 per cent in *the past 10 years, the lure of* the big win has proved irresistible. But not surprisingly the annals of the markets record some staggering losses as well.

Commodity profits can be made whether the markets are rising or falling. All the speculator seeks is to be on the right side of the trend, either buying into a rise or selling into a fall. But it is this inherent instability in the system that makes for many rude awakenings. Attempts to heist the markets, buying up all the available soyabeans or silver, have all failed. Not even the really big punters are bigger than the market. When deals go sour, the leverage which works for large profits often means proportionally large losses.

Leverage, or gearing, is one of the main attractions of the markets. Normally just 10 per cent of a contract's value secures it, although it would cost 100 per cent to buy it outright. In effect this means that a 10 per cent rise on the futures market yields 100 per cent on the deal. But the loss side is similar. When prices have moved against a speculator he will be required to pay a margin to cover the change in values. The margin may be equal to his original investment or it may be greater. Speculators often prefer to take the 100 per cent loss on their original investment, by closing the market position, rather than risking both this and the additional margin.

Safer ways

Of course, there are other, safer ways to trade the markets, but as risks diminish so do profits. *Options, granting the right* to buy or sell a contract at some future date, have been particularly popular with small investor, or manufacturers seeking to hedge their deals.

In recent years the growing complexity and cost of monitoring news has encouraged many clients to trade through a managed account. Given all the factors affecting the markets, economics, politics, weather, strikes and even graph lines on charts, few people can expect consistent profits. The professionals offering managed accounts should stand a better chance.

Managed accounts fall broadly into two sub-categories; non-discretionary trading and large managed funds. The first type requires that the investor deposit between £2,000 and £50,000 with the company. This sum is then traded on an individual basis or in pools of similar amounts by the resident fund managers. Managed funds operate more like unit trusts, where units are bought and revalued at each month or week end.

Computer systems have proved popular with a number of management companies because they do not respond to panic or euphoria, but neither do they exercise judgment. The commodity markets act not only on news, but also on the mass psychology prevailing on the trading floor at any one time. It is difficult to incorporate such elements into a computer programme.

Despite the range and variance of management services which are currently offered, not more than 18 per cent to 20 per cent of speculators choose this path for their investment. The Lion's share of trading is still performed by the informed amateur, either listening to his broker's advice or reading journals and forming his own opinion.

A small percentage keep their own charts and interpret the lines, some even monitor *the stars and trade astrologic*ally, although there are no figures to demonstrate how successful this system is.

If you trade yourself, the only cost is broker's commission. If you trade through a managed account, commissions may be greater, but many companies indemnify speculators against margin calls. Both systems have advantages.

New market's performance surprisingly good

POTATO FUTURES

RICHARD MOONEY

COMPARED WITH the U.S., Britain has been very slow to build up commodity futures trading in domestically grown produce or in farming inputs. While American farmers and private investors were developing a growing taste for a flutter on futures market in pork bellies, live hogs, orange juice, wheat, maize, cotton and live cattle, to name but a few, the more conservative British commodity establishment continued to concentrate on the traditional metals and tropical commodities on which London's reputation was built.

But things are gradually changing, thanks in no small part to the efforts of the UK Grain and Feed Trade Association (GAFTA), which has been instrumental in the development of a number of new markets in recent years.

Instant success

GAFTA's original futures market exercise covered home-grown wheat and barley and this market is now well established and recognised as a permanent feature of the London Commodity scene. With speculators preferring to stick with the devils they knew and farmers and grain traders displaying their usual conservatism, the market took years to get off the ground. Even now, daily turnover is tiny compared with that of its American counterparts or with London's coffee, cocoa, sugar and metal markets.

The same can be said of the soyabean meal futures market which GAFTA started several years ago. This had a similarly shaky start but is now ticking over quite nicely.

GAFTA's latest futures enterprise is the potatoes market, which began trading last June.

Given the depressed state of the UK physical potato market this season and the inherent problems of guaranteeing consistent quality in this commodity, the market might have been expected to struggle for survival in the same way as its predecessors, if not worse.

But, thanks to the gradual breaking down of resistance to the concept of domestic produce, futures, it has performed surprisingly well so far.

Accoding to Coley and Harper, a leading trader on the new market, it was initially estimated that an average trading level of 80 lots of 40 tonnes a day was required in the first year to cover setting up costs and general running expenses. To date the daily average has been 97 lots and if the first four months of operation are ignored this rises to well over 100 lots.

Mr. Tony Beeson, chairman of the market's management committee, confirms that original expectations have been exceeded. "We were aiming for at least 100 lots a day to have a viable market," he says, "but it was accepted that it might take two years to build up to that level."

There have been relatively few problems. Fears that there might be an excessive amount of tendering of physical supplies against futures purchases instead of them being cancelled out by sales, have not materialised. This could have caused logistical and quality problems. In fact only three lots have been rejected because of not coming up to the quality standard required.

Another fear had been that the speculative element might push futures prices up to levels which were out of line with physical supplies. This would have discouraged trade involvement and would have meant the market could not perform one of its functions of giving producers an idea of likely profitability ahead of planting. In the event, prices have generally come down into line with physicals as they approach the spot position.

The depressed state of the basic potato market may have helped to avoid this particular problem as few speculators would have been inclined to gamble heavily on a rise in the market in the circumstances.

Before the market was set up, most participation was expected to come from merchants, backed by processors (mainly crisp and chip manufacturers), and speculators with relatively little involvement from growers. It has not worked out quite like this. Merchants have been most active. However, processors have shown little interest, but farmer participation has exceeded expectations. Speculative activity, which is vital to the viability of a futures market has been adequate but not excessive, operators say.

Protection

Processors had been thought likely to be particularly keen because of the opportunity the new market afforded to fix forward prices and plan ahead more effectively, but they have apparently preferred to stick with their traditional trading practices in what for them has been an easy market.

From the growers' point of view, the market offers hedging opportunities that allow them to protect themselves against adverse physical market developments. But farmers are notoriously optimistic and most were expected to ignore this facility and continue to gamble on getting an adequate price (or perhaps a bumper price) when they came to sell their crops.

The fact that they have seen the advantages of hedging in surprisingly large numbers may be another reflection of the depressed market situation which ruled out the possibility of a bonanza from a very early stage.

One of the main reasons for starting potato futures trading in London was the expectation that the EEC would soon have a market regime for potatoes in place and that this would involve the disbanding of the British Potato Marketing Board which in past years has offered a high degree of market protection and price stabilisation through its production quotas and price support system.

An EEC regime still seems a fairly distant prospect, but the role of the PMB has indeed been reduced as a result of the gradual downgrading of its market support function. Guarantee prices have been allowed to slip well below production costs and farmers can no longer grow potatoes with the near certainty of profit they had in the past.

Meanwhile a definite effect of EEC membership has been the outlawing of import protection. Imports used only to be allowed during certain periods of the year when British maincrop supplies were inadequate. For the rest of the year they were banned. This was justified as a measure to keep disease out, but it was generally recognised as aiming to prevent British prices being undercut.

The ending of this system on instructions from the EEC was partly responsible for the running down of prices support measures. There is little point in trying to hold up prices for domestic producers if foreign competition is likely to be attracted in by the same high prices.

These factors between them created a much greater degree of uncertainty on the British potato market — and it is on uncertainty that futures trading thrives.

The success of potato futures trading in London, and particularly the high degree of producer interest, is likely to encourage further excursions into similar areas. Already there are plans for the creation of a soyabean oil futures market, probably run by the London Commodity Exchange itself.

In the more distant future there seems to be scope for still more markets in farm outputs and inputs as the increasingly sophisticated British farmer comes to regard hedging as an integral part of his marketing operation and as speculators see the scope for lucrative operation on non-traditional markets.

Fall in tyres demand hits price

RUBBER AND WOOL

JOHN EDWARDS

NATURAL RUBBER has suffered badly from the worldwide economic recession. Its main outlet is the transport industry, particularly tyres, where demand has slumped. As a result, last month London prices fell, with the RSS No. 1 spot quotation dropping to 53p a kilo—the lowest level since the end of 1978. Trading activity on the London futures market has consequently been reduced to a low ebb.

Last year, natural rubber consumption slumped by 100,000 tonnes to 3,770,000 tonnes, while production declined by 40,000 to 3,795,000 tonnes. There was, therefore, a net surplus which helped build up world stocks and depress prices.

The effect on the London market was sharply exaggerated by the fact that rubber prices at the beginning of 1980 were pushed up dramatically to a peak of 90p a kilo as part of the gold/silver boom that spread to other metals and commodities.

The short-term outlook continues to look none too good, with prices having declined during the "wintering" period in Malaysia, when the seasonal drop in production usually boosts values. But the longer term prospects for natural rubber remain extremely promising. Its big competitor, synthetic rubber, is mainly oil-based and is faced not only with rising prices but also availability of supplies in that the oil companies may prefer to switch to more profitable areas.

Strengthened

At the same time underlying demand for natural rubber has been strengthened by the increased popularity of radial and high-duty tyres, which use a higher proportion of natural rubber. In addition the new Reagan Administration has pledged to increase defence spending and build up the U.S. stockpile for strategic materials, which include rubber.

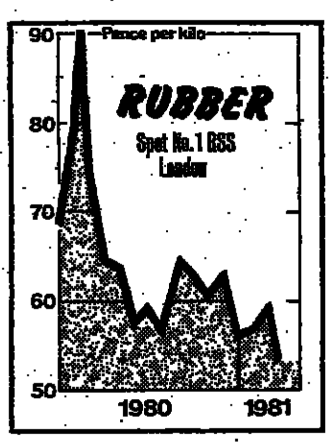
It is feared that the current depressed prices may discourage the expansion in natural rubber plantings, which it is estimated will be needed to meet future growth in demand. But for the moment this is very much a long-term worry; the immediate concern is the surplus of supplies overhanging the market. The introduction of the International Rubber Agreement (the only real success for the UN Conference on Trade and Development (UNCTAD) is also very much a distant influence since it is not operational yet and the "floor" price specified is still below market levels.

It may become a significant influence in the years ahead, but this seems unlikely given the performance of other similar commodity agreements and the possible change in attitude by the Reagan Administration.

Wool, or more precisely merino wool, has been one of the exceptions in the commidity markets with prices firm, despite the general economic recession that has hit textile industries worldwide.

Australian merino wool prices have been held firm by a number of factors. One is the drought in Australia that encouraged a further decline in sheep numbers; the other was the low level of stocks held. In addition, merino wool seems to have been successful in enlarging its share of the textile market while rival synthetic fibres have lost ground and suffered most from the overall recession in demand.

However, it is a rather different tale with crossbred wool, produced mainly in New Zealand on which the new London futures contract is based. It has been hard hit by the recession and the New Zealand Wool Commission has been forced to increase its stockpile substantially to sustain prices at recent auctions.



The new London wool futures, launched last year, breaks new ground in that it is based on a foreign currency (NZ dollars) and permits trading in New Zealand overnight to be incorporated in London market dealings. In this way there is virtually a market in two far apart centres, even though the actual trading place is in London.

The depression in prices recently has reduced trading interest, after a promising start, but the market appears to have more chances of succeeding than previous attempts in London to revive wool futures trading.

Uncertainty follows market's collapse

SUGAR
JOHN EDWARDS

THE PAST year has been a traumatic one for the sugar market. World market values topped £400 a tonne in October for the first time since the 1974 boom and there were widespread predictions that £500 would be reached by the end of the year and even that the 1974 peak of £650 might be exceeded. Instead, the market collapsed, touching a low of £224 last month, and there is a great deal of uncertainty about the future trend.

Many experts, who it must be said were wrong last autumn, claim there is a real shortage of sugar in the world with stocks reduced to low levels and supply pipelines exhausted.

This scarcity, they say, must soon be reflected in prices which have been artificially driven down by speculators more concerned with currencies and politics, rather than sugar. Supply-demand statistics certainly support the view that world stocks of sugar have been much reduced from the huge surplus that depressed the market for several years. Latest estimates put the final carry-over stock at the end of the 1980/81 season in August at some 23m tonnes—over 8m below the end 1978/79 figure.

A particularly sharp fall in world production in the 1979/80 season to 85m tonnes, against 91m tonnes the previous year, was primarily responsible for the stocks decline, although a recovery in 1980/81 to 87m still left output well short of consumption estimated at 89.6m tonnes. This means that a good world crop will be needed in 1981/82 if a real shortage is to be averted.

Meanwhile, the supply/demand situation is fairly critically balanced, with stocks as a percentage of consumption at the lowest level since 1973/74. However, some analysts point out that the market is usually right in assessing the true situation. Since the surprise decline in prices, it has become evident that consumption forecasts have been somewhat optimistic and for the moment at least there is no real shortage of supplies, despite heavy buying by the Soviet Union.

The EEC still has a substantial quantity of surplus sugar, around 1m tonnes, to dispose of by the end of its sugar year in June unless it is prepared to carry over large stocks. The fall in world sugar prices has made the Community less keen to export, since it is no longer earning the same amount from export levies imposed to bring the EEC price up to the world level.

It was hoped that the revenue earned from sugar exports by the EEC would help subsidise the cost of the Common Agricultural Policy as a whole, and also still some of the criticism about the large sums paid out in the form of export subsidies in the past. The EEC has, therefore, shown a distinct reluctance to resume giving export subsidies and might well be prepared to hold off selling until the expected rise in the world sugar market materialises, encouraged by the cutback in Community sales.

Moves by the EEC Commission to cut back the surplus production in the Community have proved only marginally successful, and if yields continue to improve it can be expected there will be another record surplus to export this year.

However, the situation in the UK sugar market has been rationalised to a large extent. The cutback in the British beet quota to 1.15m tonnes persuaded the British Sugar Corporation to abandon its previous target of producing 1.25m tonnes and close four of its factories as a result.

This followed soon after the decision by Tate and Lyle to close its Liverpool cane sugar refinery with an annual capacity of 300,000 tonnes. The closure will reduce Tate and Lyle's refined sugar production to around 1.1m tonnes, but the company has agreed to continue taking the same level of purchases from cane supplying countries of about 1.2m tonnes a year, with the proviso that quantities not refined in Britain can be switched to elsewhere in the Community.

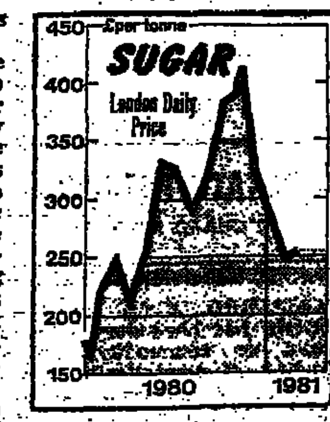
This effectively maintains the EEC deal under a protocol of the Lomé Convention that it will import 1.3m tonnes from African, Caribbean and Pacific countries.

It also leaves room for about 150,000 tonnes of EEC beet sugar to be imported by Britain each year, providing the third alternative source of supplies, wanted by big consumers in particular.

An important influence behind the cuts in both UK cane and beet refining has been the fall in consumption during the past five years from some 2.7m tonnes to below 2.3m tonnes. There are several reasons for this decline, but significantly it does link up with Britain's entry into the Common Market and a steep rise in sugar prices.

It is difficult to judge yet just how much the rise in world prices has hit demand and eased the potential shortage of supplies. But the economic recession worldwide, and inroads made by substitute sweeteners, especially high fructose corn syrups (isoglucose), in the U.S. has undoubtedly reversed the growth in consumption, at least temporarily.

Much will depend on how the forthcoming crops develop,



especially in the Soviet Un..., Cuba and the EEC. After ... poor years the Russians, ... have been forced to step up imports to something arou... 4m tonnes in the past seas... can expect to have a bigger r... turn.

Crop disease

But Cuba, which is a ... supplier to Russia and the wo... market, is still troubled by c... disease that may take some ti... to be rectified and the EEC ... a whole has enjoyed good cr... for the past three years.

Past history in the su... market has shown that a peri... of high prices usually enco... ages new production and ... courages consumption to b... a period of depression. ... many traders claim that ... prices move lower there is c... siderable pent-up demand to ... released.

At the same time any decl... in the world sugar mark... should be halted by the Inter... tional Sugar Agreement, wh... has now been ratified by ... U.S. and should, therefore, ... in a stronger position to cont... the market.

Producers and consumers act as oversupply forces prices down

COFFEE
RICHARD MOONEY

IN LINE with the world recession, coffee prices have been very depressed during the past year. From over £1,600 a tonne 12 months ago the second position on the London coffee futures market has come down to around £1,050 a tonne having slipped below £1,000 at one stage.

The recession was not entirely responsible for the fall, however. It may have encouraged the lower level of consumption, but the root cause was the high price coffee was fetching in the later years of the last decade.

In turn this dated back to the explosive rise in coffee prices which followed the great Brazilian frost of 1975. In the aftermath of the frost the stocks cushion which had prevented coffee prices from keeping up with inflation during the preceding years was quickly wiped out. The absurd peaks coffee reached in 1976 and 1977 were shortlived, but prices never fell back to the levels that had ruled before.

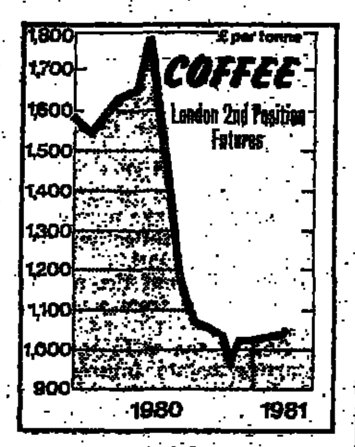
Nevertheless, the basic situation has returned to one of oversupply. The operations of the so-called "Bogota" group of Central American coffee producers managed to disguise this for a while by engaging in support buying to prevent the market reflecting the underlying statistical position. But this could not go on for ever and last year the group lost its grip on the market.

As a result, the market showed distinct signs of disorientation. The normal upward trend accompanying the Brazilian frost "season" was much less pronounced than usual and prices actually staged a very major decline even before the frost season was over. In previous seasons this sort of performance had been unheard of.

Early frost fears lifted coffee prices close to £1,800 at the beginning of June, but by the end of July, when the frost season still had a couple of weeks to run, they were down below £1,200.

It is certainly true to say that Brazil had an unusually mild winter last year but this would not normally be expected to result in such a weak price performance. Dealers put this down to a firmly entrenched "bearish" trend, high stocks in consuming countries and producer group selling prompted by liquidity problems. On top of these factors, speculative selling is believed to have played a part.

By early August, prices had reached four-year lows and producers were getting increasingly worried. Meetings were held to discuss new market support policies. An embargo on producer sales led by Brazil and backed by Nicaragua, El Salvador, Colombia, Mexico, Honduras and Guatemala had already been tried, but with no success. Brazil abandoned this in mid-August and was quickly followed by the others.



Steadiness

Instead it was suggested that producers should club together to boost the price support fund available in the Bogota Group, which by this time had set up a special company, Pancafé, to handle market operations. But nothing came of this and it was not until talks to renegotiate the International Coffee Agreement got underway in September that signs of steadiness were seen in the market.

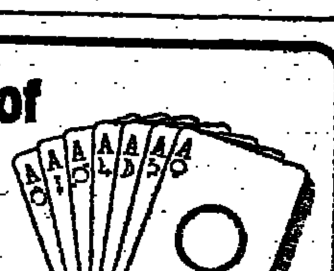
The U.S., the world's biggest consumer of coffee, made it abundantly clear early on in these talks that it could not participate in a market stabilisation agreement while producers continued to manipulate the market and demanded that Pancafé be disbanded before any new pact came into force.

Producers agreed to this and, after a fair degree of squabbling among themselves, agreed an accord with consumers under which supplies available to the market would be reduced in the event of an excessive fall in prices by trimming back total quotas. A basic support price of 120 cents a lb was set, below which quotas would be reduced.

It was fairly obvious from the outset that this trigger would quite quickly be brought into play as prices were not far above 120 cents and total quotas had been set at 57.37m bags (60 kilos each) while consumption was projected at only 55-56m bags.

The pact came into force in October and by November 19 a 1.4m bags quota cut had been triggered. A further similar cut came a month later because the average price had remained below 120 cents. This brought total quotas close to actual export demand and prices have remained fairly stable since.

It remains to be seen, however, whether the agreement can keep a grip on the market for the rest of its five-year term. Brazil alone is expected to increase production, which has still not recovered from the 1975 setback, by 8m bags this year and if other producers also step up output the market could quickly become oversupplied again.



Stocks expected to reach highest level for 16 years

COCOA

RICHARD MOONEY

THE PRESENT decade has so far proved very disappointing for most industries, especially those in the raw materials field. But the world's cocoa producers must be more disappointed than most. After the boom times of the mid-1970s, cocoa prices have fallen back inexorably and there is little reason to expect an upturn in the near future.

The current season is expected to yield the fourth consecutive world production surplus and total stocks are likely to rise to the highest level for 16 years. This situation has brought prices down to their lowest levels for five years and a mere 30 per cent of the 1977 peak.

In the past year the trend has been almost constantly downwards with only occasional upturns, generally based on supply disruption caused by transport and shipping difficulties in producing countries. A year ago the second position on the London cocoa futures market stood at a little over £1,400 a tonne; the current level is below £1,000. The low of £960.50 a tonne was reached in January.

Gill and Duffus, the influential London trade house, estimates that world supply will exceed consumption by 100,000 tonnes in the current season, taking total stocks to 730,000 tonnes or 45 per cent of the world crop. The picture seems more likely to worsen than improve in the following years.

The World Bank has predicted that the world crop will rise from 1.62m tonnes this year to 1.95m by 1985 while consumption will rise from 1.52m tonnes to 1.87m, still leaving a substantial surplus. By 1990 the bank expects production to have climbed to 2.38m tonnes against consumption of 2.2m.

Uncertainties

These figures are subject to a lot of uncertainties of course. They assume average weather conditions throughout the period and could be upset if producers respond to low prices by cutting back production. In the past there has been little sign of this and, however it is looked at, the picture is hardly encouraging for producers.

In the short- to medium-term the continuation of the world recession is likely to have a depressing effect on any prospects of price recovery. "Normal market indicators would suggest an up-turn in prices as consumption responds to current low levels, but the overall economic situation is likely to dampen significantly any upward movement," Gill and Duffus said in its last market report.

One country which cannot be blamed for the growing oversupply situation is Ghana, until recently the world's biggest producer. Ghana's 1980-81 crop is estimated at about 236,000 tonnes, down from 260,000 last season and way below the 566,000 tonnes peak it reached in 1964-65.

Ghana's decline as a producer has not been by design, however. It has been the direct result of declining efficiency in its plantations and reduced production from its ageing cacao trees.

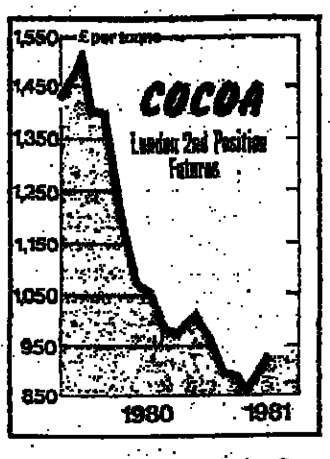
Ghana's decline has been more than compensated by production increases in other countries, particularly the Ivory Coast and Brazil, which have both overtaken the former cocoa king. The Ivory Coast is expected to produce about 305,000 tonnes this season, and Brazil 367,000 tonnes.

In present circumstances, producers could hardly be more in need of an effective market stabilisation system. The basis for this exists in the International Cocoa Agreement but, due largely to the intransigent attitude of many producers, the effectiveness of this pact is likely to remain in serious doubt.

A row between producers and consumers led to the collapse of the agreement at the end of March 1980. It has since been revived but with the Ivory Coast, the world's biggest producer, and the U.S., the biggest consumer, refusing to join, the chances of it effectively stabilising the market are much reduced.

The new pact was drawn up last autumn with producers accepting the 110 cents-a-pound "floor" price they turned down in the spring. The Ivory Coast refused to join because it thought the price was too low and the U.S. because it thought it too high. Events have tended to support the latter. The actual world price recently fell to around 90 cents a lb.

An International Cocoa Organisation committee meeting to reconsider the support price level (with the Ivory Coast participating) starts in Geneva today.



Chastened

In the gap between the collapse of the pact and the negotiation of a new one, several producers, notably the Ivory Coast and Brazil, tried to go their own way by trying to raise prices by holding supplies off the market. But the relentless downward trend defied all their efforts and the attempt was quickly abandoned. Most of them returned to the negotiating table much chastened.

The Ivory Coast's attitude has been somewhat inconsistent in the meantime. While insisting that the 110 cents floor is unacceptably low it has been the world's keenest seller of cocoa beans at prices as low as 94 cents a lb. At the same time it has been constantly threatening to stockpile cocoa, a ploy it tried unsuccessfully before, to force prices up to more remunerative levels.

LONDON COMMODITY FUTURES

Contracts (lot sizes)	Number of lots 1979	1980
Cocoa (10 tonnes)	539,751	647,397
Coffee Robusta (5 tonnes)	1,358,052	1,104,739
Coffee Arabica (5 tonnes)	5	4,444
Potatoes (40 tonnes)	—	9,929
Rubber (15 tonnes)	99,815	122,747
Rubber (5 tonnes)	4,297	5,828
Sugar No. 2 (50 tonnes)	868,427	1,127,208
Sugar No. 4 (50 tonnes)	16,976	1,409,807
Sugar White (50 tonnes)	53,202	2,466
Soyabean Meal (100 tonnes)	24,782	40,645
Wool NZ crossbred (1,500 kg)	—	5,972
Wool (greasy)	155	—
Barley (100 tonnes)	46,325†	66,195†
Wheat (100 tonnes)	41,419†	53,667†

† 12 months to end-September. Source: International Commodity Clearing House/Grain and Feed Trade Association.

Message gets home to farmers

GRAINS

JOHN EDWARDS

GRAINS FUTURES trading in London has taken a long time to build up. Tucked away in the Baltic Exchange, away from the other commodity markets (but recently joined by potato futures), the London barley and wheat contracts were virtually ignored for a long period, except for a few stalwart supporters.

Farmers were, and still are, intensely suspicious of the whole concept of hedging on the grain futures market. They are quite prepared to gamble; indeed their whole livelihood is based on the gamble of producing crops or livestock at the right time and cost to make a profit. So they tend to baulk at the whole idea of using grain futures to protect themselves against price fluctuations.

However, the message has finally got home and more farmers, especially the big managed estate, are learning that futures are not for just "having a punt." At the same time, interest in the London grain markets, as a means of coping with price fluctuations within the tightly protected European Community, has brought increased interest from traders and shippers.

Turnover on the London markets is still minimal compared with the giant, international, Chicago pits where the world prices, outside the Community, are set for wheat, maize (corn) and soyabeans. But trading has built up sufficiently to enable large shippers to place big hedge orders without totally disrupting the market trend. The vicious circle of too small turnover frightening off new business has to a large extent been broken.

London grain futures prices now mean something and are watched carefully by merchants all over the country, anxious to assess trends. Speculative interest has also grown apace, attracted by some of the big price movements, but basically the grain markets remain very trade orientated. The percentage of physical grain traded through the London markets is far higher than the average of 2 or 3 per cent in the classic futures contracts like cocoa, coffee or sugar. These close links with the trade enable the market to follow the various twists and turns inevitably associated with the Common Agricultural Policy, with the complicated formulae used in a vain attempt to neutralise currency fluctuations within the Community by use of monetary compensatory amounts.

A major part of the grain trader's life, especially since Britain joined the Common Market, is anticipating the reaction of the EEC Commission in Brussels and acting more swiftly than the slow-working bureaucratic machine there. This is the way fortunes are made and lost.

Exporter

Traders also have to take into account the radical changes in Britain's grain industry in recent years. Entry into the EEC, higher prices for farmers and improved grain yields are gradually turning Britain into a sizeable exporter of grain. The record 1980 harvest, for example has resulted in large amount being diverted to the intervention stores and on to export markets, aided by subsidies paid by the EEC Farm Fund.

Allowing for weather setbacks, the basic trend is for Britain's grain harvest to continue rising, reflecting improved yields from new varieties and better husbandry, while consumption remains static.

Indeed, the high prices, imposed under the EEC regime, have tended to cut demand for grain where possible, especially in compound feeds where there has been a growing trend towards substitution by other cheaper ingredients, such as manioc.

If this pattern continues, farmers will be faced with a constant problem of disposing of their crop not only for domestic use but also in overseas markets. The substitution of imported wheat and maize by Community grown products has probably gone as far as it can without altering the whole shape of the UK baking industry.

So grain traders, and the futures markets, find themselves in a new ballgame as exporters not only to other Community countries but also increasingly to Communist Bloc countries, eager to buy European-produced grain to offset the shortfalls in their own domestic production.

The increased interest in soyabean-meal futures is following a somewhat similar pattern to grains. The new market was slow to take off, overshadowed by the huge rival Chicago market. But gradually, with a few amendments in the contract specifications and consistent promotion of the London market, it has built up turnover to a respectable level high enough to attract the interest of the big shippers and processors.

The unexpected fall in soyabean prices in recent months has temporarily reduced interest, but once prices start to pick up, London is expected to move ahead strongly again.

Positions, not prices, produce profits

COMPANIES

TERRY GARRETT

INVESTING IN commodities can be a quick way to make or lose a great deal of money. Prices are perpetually on the move, sometimes violently, and there is a whole army of traders throughout the world, from governments downwards, taking "a view."

It is a specialised market with all the excitement and disappointment, of an investment open to global influences. However it is a field where expert knowledge is essential in getting it at least half right, and considerable financial resources are needed.

The nearest many investors get to enjoying investment in commodities is through an equity stake in the few quoted companies involved in commodity trading and broking or direct growing and manufacturing.

Commodity brokers appeal to many because of their ability to make money whether prices are going up or down—getting their positions right is the important thing. Buying shares in plantation companies ties the investor to a limited range of commodities and leaves him to the vagaries of price, demand, weather and politics.

That is not to say that the brokers cannot find the going tough. A recession, which has knocked basic demand, combined with customer destocking in the face of high interest rates, has made many of the commodity markets much quieter places. Speculative demand has for the best part evaporated since the early months of last year. Overall, it is hard to see much excitement till the recession overshadowing the industrialised countries starts to lift.

The years of brokers' profits racing forward have come to an end, at least for the time being, but that is not to say the outlook is gloomy.

Activity

Trevor Robinson, analyst with London stockbrokers Montagu Loebl Stanley, says: "The ease with which brokers can perform their transactions obviously directly relates to the level of activity. The quieter it is, the more difficult it becomes for them to do their jobs, but there still is the world's production of commodities to be moved. This is the bread and butter business for the brokers." The reduced number of speculators and private clients makes the brokers' trade more competitive, but it has only taken away the jam."

So the message is, while life may not be so rosy for the likes of Berisford and Gill and Duffus they are still very profitable businesses. Also they have been able to take up slack by moving into other areas such as the new petroleum futures market in the UK and the financial futures markets of the U.S.

To deal with the companies specifically, S. and W. Berisford finally got the go ahead from the Monopolies Commission 12 days ago to renew its bid for British Sugar. The Commission has departed from its normal "yes" "no" verdicts and put conditions on Berisford. But these are far from onerous.

Berisford is already the UK's largest sugar merchant, handling perhaps half BSC's volume and a good slice (20 to 25 per cent) of Tate's. It popped up with its bid for BSC, where the Government holds a 24 per cent stake, last May, but the bid was referred in June.

However, the delay has worked in BSC's favour and with more buoyant profits, Berisford may have to put up over £200m to gain control rather than the £120m of its first approach if it wants to renew its attack.

The sugar market has seen some tremendous activity and thanks to that, Berisford was able to show a £4m rise to £36.1m in its full year profits announced in January. But since then the company's annual meeting has produced some unenthusiastic comments. Nevertheless profits this year could be similar to last and perhaps a bit higher.

Good showing

Another of the brokers, Gill and Duffus, which traditionally is heavily involved with the cocoa market, is due to report full-year profits for calendar 1980 on Wednesday. The company, as usual, forecast last October what it expected to make. G. and D. indicated a figure of £21m for the year against £20.6m, though market sources widely expect the final outcome to be in the region of £22½m. The rise may seem modest, but against the very dull conditions which prevailed in the cocoa market even a small rise is a good showing.

G. and D., like others in the sector, is using its strong cash flow to move into other areas such as its recent increased presence in insurance broking. It has got into the U.S. financial future market and is expected to be a force on the new Petroleum Exchange.

Finally, Guinness Peat amazed everyone last year with its figures for the year ended April 1980. With a surge in commodity dealing profits from £2½m to over £13m, the surplus before tax doubled to £15.67m.

The latest results for the first half if this year patently showed that it is not going to repeat that performance. Profits fell back from £6.2m to £3.6m and Trevor Robinson is predicting a full year outturn of £8¾m before chipping in £2m after tax for the banking operation.

For investors wanting a direct investment in the "manufacturing" end of commodities, plantation shares are the thing. Basically, the sector is dominated by three main considerations—commodity prices, the underlying asset values of the estates and the gradual transfer to Malaysian ownership of much of the equity.

Many plantation companies have already drifted away from the UK and taken Malaysian domiciles. The Malay Government's national equity corporation Permodolan Nasional Berhad (PNB) has recently set up a national unit trust, Amanah Saham Nasional, which intends to build up equity stakes in quoted corporations with plantation companies no doubt coming high on the agenda. This can only accelerate the trend of increasing Malaysian holdings in the companies.

For the most part, according to Robert Carpenter, a partner of Montagu Loebl, the Malaysian authorities have been very straightforward with overseas plantation companies. Yet two companies, Guthrie and Harrisons and Crosfield, are yet to get schemes completed to increase the involvement of local investors. In Guthrie's case anyway it can hardly be blamed for falling behind.

Guthrie's plan was to transfer its plantation assets into Malaysian domiciled Guthrie Ropel which was to be 60 per cent owned by Guthrie. Around 35 per cent of its acreage had been transferred to Ropel but the plan was upset by Sime's bid approach. Backed by UK holders, Guthrie fought off the attack and Sime has now sold its 27.6 per cent Guthrie holding to the Malaysian Government.

The question mark now must be whether the Malaysian Government, with a hefty holding in Guthrie, will want it to continue transferring plantation assets into Ropel.

Harrisons and Crosfield has been far slower in getting a scheme together. In essence, its idea was to get three of its companies into Harrisons' Malaysian Estates. However, the plan hit a hurdle in getting shareholder approval when Genting Highlands blocked Golden Hope from going in.

Advantage

This sorted itself out when Genting took HME shares, but Harrisons is still lagging behind in meeting Malaysian requirements for local owenrship and inevitably the stock market is wondering whether pressure will eventually be brought to bear. Meantime, rising asset values in Malaysia are working to Harrisons' advantage.

The asset backing must not be overlooked for many plantation companies are now viewed as quasi property companies by local investors taking a long-term view.

Profitability has held up well in the face of lower prices and many plantation companies enjoy very strong balance sheets. Mr. Hugh Williams of brokers Vickers da Costa expects plantation profits overall for the 12 months to June, 1981, to be down about a quarter.

A way for small investors to spread risk

FUNDS

TIM DICKSON

FUNDS ARE probably the best way for small investors to take an interest in commodities. Because of the often sharp price movements, professional financial advisers have tended to steer those of limited means well away from direct involvement with the market. But a growing number of companies are now offering funds which provide good scope for capital gain as well as spreading the undoubtedly high risks of investing in commodities.

There is, in fact, a wide variety of styles from which individuals can choose. At the most "cautious" end of the market are authorised unit trusts, which are restricted to commodity related shares. In 1979 and 1980 specialised commodity and energy funds, notably those run by Britannia, consistently topped the performance tables and provided unitholders with impressive and sometimes spectacular returns.

The excitement, however, has now died down and, albeit on the basis of only the first couple of months of this year, most of the same funds are languishing near the bottom of the charts.

Offshore

For direct fund involvement in commodities, investors have to go offshore where there is plenty of choice. The UK Department of Trade does not allow authorised unit trusts to hold commodities direct, but Jersey, Guernsey and other well known tax havens have no such restrictions.

The biggest and most conservative offshore fund is the £23m Old Court Commodity Trust run by Rothschild Asset Management. Rothschild also runs the dollar-denominated Old Court Dollar Commodity Trust which is currently valued at about $21-$22m. Both are based in Guernsey.

The distinction between the two is that Old Court Commodity is generally around 50 per cent (currently 55 per cent) invested in commodity shares, whereas Old Court Dollar is less cautious (its weighting is about 35 per cent in securities and 60 per cent directly in commodities). Neither fund is allowed to gear up, nor can it sell "short" in any market.

This may well have been a hinderance of late for since the beginning of 1981 the sterling fund's unit price has fallen from around 105p to 96p at around March 20 (a distribution of 7.2p was paid during this period). The Dollar Fund over this period is down from $50.68 to $44.92, more or less reflecting the falls in base metal prices in this time.

During calendar 1980, the funds respectively showed gains of 13.7 per cent and 20 per cent. Since its launch in June 1976, meanwhile, the sterling fund is up 156 per cent and the dollar fund since its inception at the end of June 1977 is 108 per cent ahead (all figures income included).

Rothschild says its aims are not to beat various stock market indices but to produce a real return "over the longer term." With the weighting of commodity shares — all of which are related to the produce end of the market — Rothschild's Mr. John Gittings comments that the fund provides "a conservative way to invest in a not very conservative area."

Save and Prosper's Jersey based commodity fund, which is also not allowed to sell short but generally remains close to 100 per cent invested, has also suffered from the difficult conditions in the markets. Valued at £2¼m last month, the fund stood at well over £5m a year ago, since when roughly one-third of the units have been redeemed. In the same period the unit price has come down from about 215p to 120p.

At the moment, Save and Prosper is "fairly cautious" about the future. It feels the very recent modest rise in base metal prices may be based more on sentiment than funded in economic reality. The fund invests directly in pure commodities and futures and gearing is permitted up to a maximum of 50 per cent. There are no hard and fast rules about the maximum exposure to specific commodities, but in practice an individual holding would never represent more than 30 per cent to 40 per cent of the fund.

Three funds managed from the same stable are the £6m Jersey-based Wardgate, the £2¼m Bermuda-based Armac and the £1¼m Isle of Man domiciled Count. In each case the investment adviser is Mr. Joseph Hales, owner of Commodity Fund Management (CFM). Count's and Armac's management companies are both Analysis, while Wardgate is jointly owned by four major investment companies, Murray Johnstone, Gartmore, Electra

CONTINUED ON NEXT PAGE

Plan to stabilise markets may founder

INTERNATIONAL AGREEMENTS

SRIJ KHINDARIA

AN AMBITIOUS *programme to* stabilise markets for at least 18 major raw materials, minerals and cash crops is locked in disputes which could lead to its unmourned demise.

The programme, sponsored by the United Nations Conference on Trade and Development (UNCTAD)—seen by many Western diplomats as a radical Third World think-tank—has run into serious doubts about its usefulness *among* both commodity consumers and producers after almost five years of negotiations.

Negotiations are being conducted for each of the 18 commodities in preparatory committees which were to pave the way to separate International Commodity Agreements (ICAs). A 1976 UNCTAD conference attended by both rich and poorer countries gave the go ahead for preparatory talks. The commodities under the programme are: bananas, cocoa, cotton, hard fibres, jute, meat, rubber, tea, tropical timber, vegetable oil, sugar, coffee, bauxite, copper iron ore, manganese, phosphates and tin.

To provide money to manage all the ICAs in the programme, the 1976 conference also called for talks to create a Common Fund. UNCTAD initially estimated *that at least $6bn would* be needed. But under an accord reached last year the fund will have no more than $750m, including $400m to pay for ICA operations and $350m to pay for market promotion, and research and development projects in commodity producing countries.

Only one ICA—for natural rubber—has been concluded under the programme. Four other commodities—cocoa, *coffee, sugar and tine—already* had ICAs before the programme coffee, sugar and tin—already was conceived. But the cocoa pact was allowed to expire last year and great difficulties are being experienced in negotiating a new agreement. The tin accord, which expires in June next year, is bogged down in acrimonious disputes in negotiations *to renew it*.

But the main reason for pessimism about UNCTAD's commodity programme is not the difficulty encountered in establishing workable ICAs: it is the unrealistically small size and potential ineffectiveness of the Common Fund.

From the producers' viewpoint, to be effective, each ICA must contain a buffer stock which would buy the commodity at times of falling prices and sell at times of rising prices to keep prices within an agreed range. In addition, the stock would be so structured as to allow a steady increase in producers' incomes over a period of time through systematically rising prices.

Super-banker

For such a stock system to work properly the managers of each ICA must have quick and cheap access to sufficient funds to buy commodities for storage. The Common Fund was therefore conceived both by UNCTAD and producers as a super-banker which would have a prime credit rating similar to that of the World Bank because of a large capital base. That would have allowed the fund to lend cheaply to each ICA, making it unnecessary for the ICA to approach banks directly. This was crucial for ICAs for the commodities exported by desperately poor nations, such as jute from Bangladesh, which would never manage to get a high credit rating from banks.

In contrast, the fund as agreed can act only as an intermediary between an ICA and capital markets. It cannot itself be a banker, nor does it have the capital base needed to raise money far enough below commercial rates to be of real help to poorer commodity producers.

To become operational, the fund must be ratified by at least 90 countries accounting for two-thirds of the contributions to it. No nation has yet ratified it and it is unlikely that it will come into operation as planned in March next year.

In view of the problems faced in negotiating individual commodity agreements, the fund's first account may not have much to do even if the fund does become active next year. However, the second account may take on much greater significance than envisaged earlier.

Apart from problems with the fund, UNCTAD's commodities programme now appears to be a hastily put together package which does not take sufficient account of market realities.

Commodity buying countries alarmed at the oil exporters' success in forming a price-fixing cartel, agreed to the programme in 1976 to prevent any moves towards similar third world cartels for other commodities. But the failure of coffee, cocoa, tea and iron ore producers to arrange even simple cooperation among themselves on matters such as information exchange and discussion of price levels, has shown how exaggerated were the West's fears.

At the same time, the difficulties met in pinning down commodity market trends clearly enough to create price stabilisation agreements among producers and consumers, has shown producers that UNCTAD's suggestions may have been based more on theoretical analysis than on what was feasible.

The near unsurmountable problems of renewing the cocoa, tin, sugar and coffee agreements have demonstrated that adjusting to markets is easier than wrestling to control them.

To complicate matters further, the new Reagan Administration in the U.S. appears to be back-pedalling on the pledges of earlier governments to negotiate ICAs with an open mind. The U.S. is having second thoughts about the desirability of stabilising commodity prices—a reassessment that strikes at the roots of UNCTAD's programme.

The minds of both producers and consumers are now turning towards the creation of consul*tation forums for each com*modity where market information would be shared. The main gain to producers would come from a pledge by governments to encourage major commodity trading companies to put their market intelligence and communications networks at the disposal of producers to allow them to develop their own marketing networks.

Developing countries collectively still swear by the position first announced in 1975 that ICA's backed by buffer stocks are the only way to solve problems caused by the long-term falling trend in commodity prices. But separately, the main producers hint that they are more interested in increasing their ability to expand supplies of processed raw materials than in perpetuating their status as raw material suppliers to an industrial West.

These producers want to expand international debate about commodity problems beyond UNCTAD's commodity programme and Common Fund. They think too much time and energy has already been used in pushing through that programme. It might have seemed vital when it was conceived but seems out of touch with the real needs of exporters during the 1980s. Those needs are for more technology, better management skills, wider marketing networks, better communications, and more research and development into cost cutting and market expansion schemes. In short, the needs are for more investment funds and larger access for processed raw materials to industrialised country markets.

Crucial

The attitude of the U.S.—the largest of importer of most commodities—is crucial. In his reassessment of previous U.S. positions, Mr. Reagan may be closer to Third World thinking than he suspects.

The other crucial element is the role of transnational companies, which often dominate commodity trade from the production stage through to the retail sale stage. Their heavy hold over plantation products such as bananas, cotton and sugar, and over mineral such as bauxite, iron ore and manganese is seen by many developing countries as a threat to their national sovereignty.

As the owners of technology and know-how desperately needed by producer countries, the companies have a powerful bargaining position. How they use that strength will determine whether radical or moderate Third World governments win arguments in negotiations.

The bloc of developing countries in negotiations with richer nations is much less fragmented than in past years. It contains hard-nosed bargainers who, despite their private opinions, will continue to stick together behind UNCTAD's commodity programme, unless the U.S. and other consumer nations show willingness to provide the necessary transfers of wealth and knowledge. The Common Fund's second account could be the key channel for such a transfer.

If that happens, UNCTAD's ailing programme may get another lease of life, although the contents of the ICA's would be quite different from those planned at its outset.

Trevor Humphries

Trading on the London sugar market, where world free market prices are decided

Small investors

CONTINUED FROM PREVIOUS PAGE

House and the English Association, while CFM has a small stake.

Over the long term the records of these funds are extremely good, but Mr. Hales admits that the last year has been a bit flat.

"The big problem last year was really the price of gold," he says. "At the end of the year, when a number of the funds got in trouble and a couple of the American ones were wiped out, we went very liquid. Since then we have not really taken many major positions and the funds are still very liquid."

Mr. Hales expects the recovery in base metals to get its lead from the stock market and the funds are permitted to invest there if they wish. Generally speaking, there are no gearing restrictions on the funds, though Wardgate's prospectus does not allow investment of more than 25 per cent of the fund in any one commodity.

Not practical

Discussing the risk reward ratio of investing in a commodity fund, Mr. Hales points out that he generally prefers not to take the sometimes considerable risks of going short. "In smaller funds this can work very well, but in a big fund it is seldom practical." A fundamental analyst, he likes to take a medium to long term view on commodities ("if you can call three months the medium term").

There are many other smaller funds on the market with assets often of only a few hundred thousand pounds. One of the most successful over the last year has been the £630,000 Stronghold Managed Commodity Trust, which is advised by commodity brokers G. W. Joynson and Co., part of the Inchcape Group. After a couple of unexciting years, Stronghold's offer price moved up about 60 per cent in 1980.

Mr. C. D. Campbell-Gray, Joynson's managing director, points out that much of the advance took place in the early part of the year "and thereafter things got more difficult."

Stronghold is required to hold at least 25 per cent of its assets in cash. Despite this precaution, the company stresses "Commodity investment will always retain a degree of risk. Investors should restrict their investment to reasonable limits (say 5 per cent) relative to their overall investment portfolios."

Another much smaller fund is the £100,000 Wren Commodity Fund run by Tillotson Commodities, which has risen 30 per cent since its launch in May, 1979. Tillotson has just started another commodity fund, the Chinese Fund.

COMMODITIES VIII

Roger Taylor

The floor of the Baltic Exchange in St. Mary Axe, London

Shipping forms backbone of Baltic Exchange business

LONDON
RUTH CORB

THE MARKETS in shipping, teas and furs all have factors in common. None of them is a futures market; they are all steeped in history, tucked away in the heart of the City, and, of most importance, they contribute to the UK's invisible income.

Shipping is the country's second biggest source of invisible earnings, generating around £200m a year (in first place comes insurance). The Baltic Mercantile and Shipping Exchange, better known simply as the Baltic, whose origins date from a 17th century coffee house, is today the centre of the world's international shipping market, and a major City institution.

Other activities, such as aircraft and ship broking, grain, technical oils and oil seeds dealing, wheat, barley and more recently potato futures markets, have been added, but shipping is the backbone of the Baltic's business.

According to shipping consultants H. P. Drewry, last year's world dry cargo trade totalled around 1.6bn tonnes of which well over 1bn tonnes was bulk cargo (that is mainly, grain, coal, iron ore and chemicals). It is estimated that three quarters of the world's open market bulk cargo movement is at some stage handled by members of the Exchange.

Chartering constitutes the majority of transactions, most of which are confined to "tramp" shipping. These are vessels ranging from 20,000 tons to 150,000 tons, which go anywhere cargo needs to be shipped. The aim of the owners' brokers and of the charterers' agents is to match cargoes to ships and vice versa in the most advantageous way for their clients.

Much of the work is carried out in the offices above the Exchange or in buildings near by, but the "Floor" of the Exchange is the main meeting place. Thus the freight market occupies the centre of the Floor—the 20,000 sq ft main hall of the elegant Edwardian building in St. Mary Axe, a small lane close to the commodity markets, Lloyd's and the major banks, where the Baltic has been housed since 1903.

To the north east corner of the Floor is the wheat and barley futures trading ring with the potato futures ring in the opposite corner.

100 members

The majority of the world aircraft chartering business is conducted through members of the Baltic Air Market, which has currently around 100 members comprising most of the major airlines. In addition, over 50 per cent of the sales and purchase of ships worldwide is transacted through members of the Exchange.

Despite regular talk of establishing similar meeting places in New York or Piraeus, the Baltic's pre-eminence as a market is likely to remain undisputed. Membership increased every year in the last decade even through one of the world's worst shipping slumps. There are now more than 750 members comprising companies and individuals with over 2,500 representatives.

London became the centre of the world tea trade mainly as a result of strong colonial ties with the main producing countries of India, Sri Lanka, and the continent of Africa. The two main ways of buying tea is either by private contract drawn up between a producer and buyer, or through auction, the first of which was held in a merchant's office in 1834.

Historically, London was the biggest auction centre but it has been overtaken by Colombo and Calcutta. (Other centres include Cochin, Chittagong and Mombasa.) Formerly much of the tea that came to London was re-exported, but due to escalating docking costs it is now a terminal market. In recent years some producing countries have tended to send less tea to the London auctions, partly because of government policy and also because it can be quicker and cheaper to sell their teas at the local auctions.

As for demand, the UK has traditionally been the largest consumer of tea after India. Provisional figures for last year indicate that the UK imported around 211,035 tonnes of tea of which around 183,569 tonnes was for consumption. According to a National Food Survey, consumption at 4.1 cups per person per day is the lowest it has been for 10 years. Cold drinks, alcohol and instant coffee have all played a part in making tea an unfashionable down-market drink. Hence the Tea Council has spent around £5m over the last four years in a bid to get people to brew-up more often.

Depressed

In addition, tea prices have been depressed for some time. At the current average auction price of just under 95p a kilo during the first two and a half months of this year, tea is very cheap when compared with coffee. Prices are around 6p down on the same period for 1980 and 14p down on the same period of 1979.

Low prices, fierce competition, and static demand have not helped a trade whose profitability depends on small margins and large volume turnover. The effect on companies has been that some tea blenders have diversified into other products, and there has been substantial rationalisation among tea brokers where mergers and amalgamations have become the order of the day.

There are now only four selling broker members of the Tea Brokers Association. Last year the fifth, Thomas, Cumberlege and Inskipp, one of the oldest and largest Indian tea specialists, ceased operating.

About 10 years ago the London auctions were held three times a week and the average total amount of tea offered for sale was 80,000 chests (each containing around 100lbs of tea). Today there is one weekly auction and the average amount of tea offered for sale is 50,000 chests. Because of the contraction of the auctions the tea trade moved from its Plantation House premises in Mincing Lane, to the much smaller but appropriately named Sir John Lyon House in Upper Thames Street.

From time to time there is pessimistic talk about the long-term future of the London tea auctions, but it is in many buyers' interests that they are maintained. The auction price is spot quality and acts as a yardstick for pricing private contracts, the exact quality is known, and there are no delivery delays.

Advance plans for a tea futures market were put on ice some six years ago where they have remained ever since because, among other reasons, there was not complete support from the trade.

In volume and variety London is the world's largest auction centre of furs. This is despite its small back-up and retail industry and the fact that the UK buys only around 2 per cent of the total number of skins auctioned annually in London.

The trade, mainly comprising ranched (bred or farmed in captivity) raw furs is a multi-million pound business. Annual turnover, including "third country" trading, is put at around £350m by the British Fur Trade Association, the industry's representative body. In terms of size and manpower it is one of the smallest industries but is said to be the UK's largest entrepot market—more than 90 per cent of skins are re-exported.

The fur market also plays an important role within the City and has very strong ties with the banking community. The nature of the business means that some companies are highly geared and consequently require various forms of finance, and there is valuable spin-off business for the shipping and insurance sectors. Thus the fur market is well located in the corner of the City between Queen Victoria Street, Walbrook and Upper Thames Street.

The UK has imported fur skins since Roman times, but the opening up of Canada by Royal Charter from Charles II put the UK on the map as a major fur importing/exporting country. The first auction of beaver skins was held in 1671 in Garraway's Coffee House.

Today, large department store buyers, some furriers, but mainly merchants buying on their own account and commission agents acting on behalf of an international clientele attend around eight major sales held annually by London's two auction houses; Hudson's Bay and Annings (formed in the early 1970s by a merger of the Hudson's Bay Company and of Annings, Chadwick and Kiver), and Eastwood and Holt. Auctions also take place in the major fur-producing countries of Scandinavia, Russia, the U.S. and Canada.

Around 85 per cent of the fur industry's total raw skin production is ranched. The main types are mink (bred throughout the Northern hemisphere, including North America, Russia, Europe and Scandinavia), Persian lamb (taken from the Karakul sheep bred in Afghanistan, Russia, Namibia, and South Africa) and blue fox, mainly produced in Russia and Scandinavia. Seven species account for the bulk of the 15 per cent of skins which come from wild animals. These are beaver, red fox, musquash, sable, squirrel, racoon, and coyote.

New markets

Although resilient, the fur trade is not immune to recession. Last year, total imports were valued at £265m compared with £229m in 1979 but exports at £233m were down £6m on 1979. West Germany, the West's largest consumer of furs (particularly Persian lamb), accounts for some 50 per cent of skins sold annually in London. The weakness of the D-Mark coupled with slackening German demand has affected Persian lamb prices throughout the world market; they have declined more than 40 per cent in the last 12 months. To compensate, new markets are being cultivated in the U.S., Japan and Europe.

However, prices for mink—the industry's mainstay—having opened in December at the beginning of the season 20 to 25 per cent down on 1980's opening prices, are currently very firm and rising according to a spokesman for Hudson's Bay and Annings.

The reason is that the market for the 20m to 22m mink skins produced annually for consumption in the West is more evenly spread throughout the world than the Persian lamb market.

Demand and hence prices for fox skins remains strong, as this long-haired fur continues to be particularly popular in Italy, West Germany, North America, Japan and the Far East.

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Alan Pike reports on a new training scheme which could be a prototype for Britain's industrial renaissance

Industrial training: seeking new priorities

GROUPS OF young people at colleges and training centres in East London, Manchester and Teesside may, without fully appreciating it, currently be acting as prototypes for Britain's industrial renaissance.

They are pioneering their way across a bridge between school and industry which is designed to pick up young people at the age of 13 and deliver them six years later—not only ready for work but as mature, developed citizens.

The experiment, being run by the Chemical and Allied Products Industry Training Board, shares many characteristics with far-reaching proposals now being considered by the Government and Manpower Services Commission for transforming industrial training during the next decade. But the ambitious plans run the risk of being unveiled—possibly next month—against an increasingly bitter political background which can scarcely improve their prospects of success.

The Government has succeeded in initiating a much-needed debate in industry, and elsewhere about the state of training in Britain. What is less certain is whether the issues are yet under discussion in the right order of priorities.

There are three items on the agenda:

1—The proposal to transfer the operating costs of industrial training boards from the Exchequer to industry;

2—The question of how many of the 24 statutory training boards—which have the legal power to spread the costs of training across the sectors of industry in which they operate—are required and whether some should be abolished;

3—The ways in which workers should be trained and retrained and young people generally prepared for the world of work.

Most parties to the debate agree that the first item is least important. Yet it has dominated the argument so far.

The recommendation that the £50m a year operating costs of training boards should be returned to industry—which met them before the 1973 Employment and Training Act—was made by an MSC review body last year. Mr. James Prior, Employment Secretary, agreed with it but, unlike the MSC review body, he went further by suggesting that many boards might be ripe for abolition.

A sector-by-sector review of industrial training arrangements will be completed by the MSC in June, and this will help Mr. Prior to decide which boards should go. In spite of the anger which it has provoked among some employers, there is very little doubt that the operating costs of the surviving boards will be transferred to industry.

Meanwhile, more fundamental issues will be unveiled, within weeks, in the form of a New Training Initiative from the MSC and Government. Although the details are still the subject of deep debate between employers' and trade union representatives on the commission the main structure of the initiative is clear and, like the debate on training itself it produces an agenda with three objectives.

1—To ensure that by 1990 all *16 and 17 year olds who do not continue full-time education undertake a year-long "traineeship"* combining work, training and education;

2—To ensure that young entrants and others entering skilled jobs are trained to adequate, recognised standards;

3—To enable people—employed, unemployed or returning to work—to develop and update their skills throughout their working lives.

The first of these items is an attempt to improve Britain's position in the vocational education league which must be regarded, by any standards, as laggard. In Britain, between 40 and 50 per cent of young people leaving school at 16 go into jobs where there is little or no training and further education, compared with 6 per cent in Germany.

By next year Germany hopes to have halved this 6 per cent figure. The German system—which has been examined in the search for ways of improving British training—involves extensive apprenticeship *arrangements. About half of all young people enter apprentice*ships (against 14 per cent in Britain) and apprentice registration is required by law in *450 occupations. There is also* a basic vocational training year which has similarities with the traineeships being considered by the MSC.

The German system is reinforced by law at several points—the Government determines the content of apprentice *courses and has powers to levy* employers to maintain sufficient training places.

Under the plans being formulated by the MSC, foundation traineeships which would normally last at least a year and would provide an introduction to employment; training in life and social skills; work experience and *further education.*

The traineeship vision contains many of the elements of some experiments—such as the Chemical and Allied Products Industry Training Board's bridge scheme — which are already in operation. This scheme begins in the schools, where young people at the age of 13-plus are given advice on opting for appropriate science subjects in their last years in the classroom if they are interested in careers in the chemical industry. This is backed up by "work sampling" visits to chemical companies to help pupils make better-informed *career choices.*

After leaving school, the young trainees undergo a mixed programme of basic skill training, further education and work experience, while at the same time taking part in community service projects and physical activities designed to increase their personal development. Such activities range from training at youth centres in the Lake District to a course designed to help trainees perform well at job interviews.

Some 60 per cent of the first groups of young people involved in the scheme found jobs within two months of completing their basic training, and most are continuing with some form of further education.

While the chemical industry bridge scheme shares many *characteristics with the concept* of a national traineeship system there is one important qualification — the young chemical workers are not employed while crossing the bridge, and the whole scheme is financed by the training board. If such experiments are to be extended during the coming decade into a new national approach to vocational development a very simple question arises: "Who pays?"

The answer is as simple as the question. Industry will be expected to meet the bulk of the costs. This does not guarantee the scheme the most enthusiastic of receptions in the present recession.

The other objectives of the new training initiative are intended to bring Britain's apprenticeship system up to date, with training to standards rather than time, and enable changing skill needs of the economy to be met by effective methods of adult retraining. Mr. Prior's version of an Open Technical College on the lines of the Open University, more details of which are expected soon, is intended to play a major part here.

There is little disagreement between employers and union leaders at national level about the need to achieve these training objectives, although agreement in this context is not necessarily synonymous with *advancement on the shop floor.*

"Even a worker whose skill becomes outdated is in a better position than one who has never been trained. The learning process will stand him in good stead. He will be better prepared to learn a new skill. The key issue is how to ensure that every young person entering employment is provided with a sound preparation so that they can constantly adapt, develop and acquire new skills throughout their working lives."

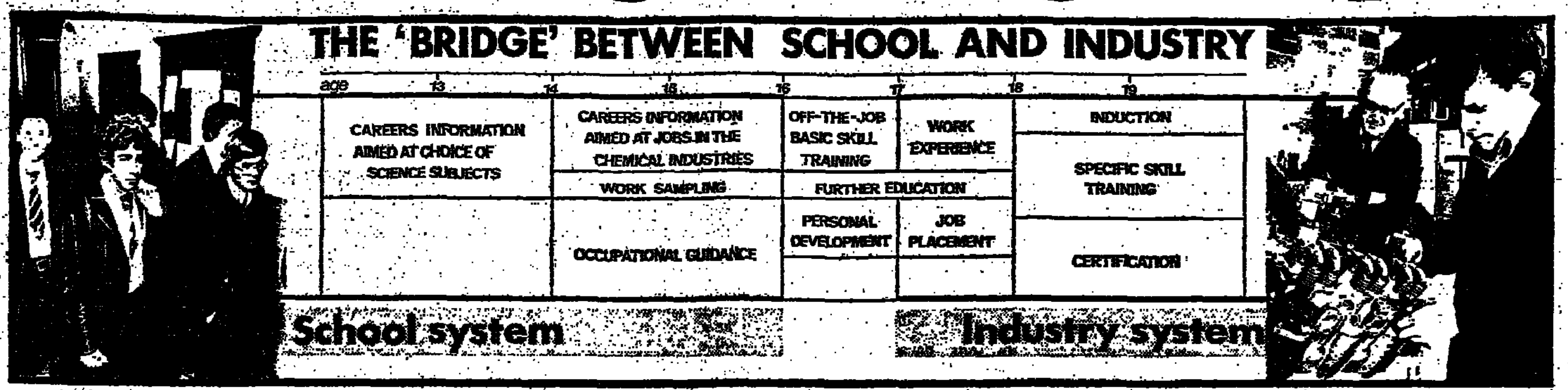
Few employers would disagree with this analysis by Mr. Ken Graham, assistant general secretary of the TUC and an MSC commissioner. As he says, the key issue is *how*. . .

Voluntary arrangements play a key role in the Government's reply. It believes that those companies which already recognise the value of training will continue to invest without the "stick and carrot" levy grant system operated by training boards, and that the removal of bureaucratic structures may help training to blossom in some areas.

While some statutory boards will survive—most likely in sectors such as engineering and *construction*—many will not. The Employment and Training Bill now before the Commons will give Mr. Prior power to abolish, create or vary the scope of statutory boards without an MSC recommendation, although he will not act in advance of the MSC's sector-by-sector review of training requirements.

A considerable number of employers' organisations and companies can be expected to support the abolition of statutory training boards. The British Printing Industries Federation, for example, has told the MSC that fundamental changes in training in the printing industry can be made only through negotiations with the unions—on which it is now concentrating—and not through industrial training boards.

But critics of the voluntary approach fear that many companies will favour the abolition of training boards not on the basis of rational argument, but in order to save money on training now and hope to poach someone else's skilled workers later. "The main drawback of voluntarism," says Lord Scanlon chairman of the Engineering Industry Training Board, "is that inevitably there are too few volunteers."



Martyn Barnes

Letters to the Editor

The banking merger

From Mr. R. Hunter-Blair

Sir,—Your interesting supplement on Scottish banking (March 27) and finance did raise some points about the Royal Bank of Scotland and Standard and Chartered merger. The shareholders in the Royal Bank of Scotland appear to be receiving a satisfactory price for their shares. Before the merger the price was about 90p which valued the group at only £202m; this valuation, though compared with a historic book value of the ordinary shares of 216p per share.

Provided there is no intervention from the Monopolies and Mergers Commission, or an alternative bid, it is the shareholders of the group who have to vote on the proposed merger. One question arises, therefore, and that is whether alternative schemes could have been considered by the Royal Bank Group board that could do better for their shareholders than the proposed merger and still maintain the Royal Bank as a separate quoted company.

Your supplement mentioned the problems of running two main banks in a group. Certainly everyone is not aware that Williams and Glyn's Bank made an operating profit of £56.6m last year which was 49 per cent of the group's total whereas the Royal Bank of Scotland Limited made a profit of £44.8m. The balance was mainly the interest in Lloyds and Scottish.

One advantage of owning Williams and Glyn's is that the Royal Bank of Scotland is able to use the bank to clear cheques in London. Despite this problem, it is feasible that most of Williams and Glyn's branches could be sold to the great benefit of the group's shareholders. If most of Williams and Glyn's branches were sold as a going concern, but without the name, for about 40 per cent of the group asset value this should bring in an excess of £238m. It could be argued that nearer £300m was the correct sum because this would allow for an up-to-date valuation of the properties. This sum of money is large and could provide the means to buy a large but less profitable foreign bank, and also to build up significant investments in other businesses if this was thought desirable. In looking round the world, one sees what is available one can point out that the largest bank in the fastest growing large state in America is capitalised at only £120m. Royal Bank Group therefore could arrange transfers to become the owner of an important U.S. bank. It is large enough and could make the resources available to expand this acquisition.

A sale of most of Williams and Glyn's branches for a sum of £300m would alone realise 155p gross per share of the Royal Bank Group.

As Standard and Chartered operates in many countries, it knows that in many countries a large minority shareholding of local interest is required. 100 per cent ownership of the Royal Bank of Scotland does seem to ignore the feelings of those people in Scotland who feel that Scottish financial institutions should be strong and independent.

Alternatives could be just as beneficial to the Royal Bank shareholders. It is not obvious to me that they have been considered. I have tried to show that the Royal Bank Group does have substantial resources available to it and it could consider other attractive measures that would be perhaps even more beneficial to its shareholders. The board needs confidence to feel it can shape its own destiny.

R. P. Hunter-Blair.
21 Buckingham Terrace, Edinburgh.

Back to the whelk stall

From Mr. H. Button.

Sir, — I see that the proverbial whelk stall has raised its head again. Mr. W. G. Poeton states (April 1) that none of the 364 economists who criticised the Government "has had enough practical experience to *run the proverbial whelk stall.*"

It was back in 1966, on November 26, that a letter of mine drew attention to Sir Gerald Nabarro's remark during a debate in the House of Commons, that "the great majority of hon. gentlemen opposite have not the qualifications to run a whelk stall profitably." A later letter, on May 7, 1975, quoted Sir Keith Joseph's description of Mr. Benn as "the man who has never run a whelk stall and who thinks he can run British industry."

Although the reason for the choice of a whelk stall in this context remains obscure, recent research in Cambridge has traced the expression back to a remark made by John Burns in January 1894 as recorded in William Kent's *John Burns* (p 61): "From whom am I to take my marching orders—from men who fancy they are Admirable Crichtons, Pitts and Bolingbrokes, but who have not got sufficient brains and ability to run a whelk stall." He was referring to the Social-Democratic Federation.

Henry G. Button.
7, Amhurst Court, Grange Road, Cambridge.

Deal at a price

From Mr. K. Bate.

Sir,—If Mr. Scott (April 2) wishes to expose his company to the risk of monetary losses by quoting the export price of his commodity in foreign currencies then he shouldn't really be moaning about a strong pound.

He should either quote all his prices in sterling or alternatively make the exchange rate prevailing at the time the order is given part of the contract.

K. Bate.
The London Diamond Exchange,
Suite 411,
76 Shoe Lane, EC4.

Living with a strong pound

From Mr. P. Robeson

Sir,—Without wishing to become involved in argument about official management of the exchange rate for sterling, may I offer a suggestion to those who may now or in the future feel they are assailed by the problem so clearly outlined by Mr. Scott (April 2). This is that they should look for protection through use of the forward exchange market.

If Mr. Scott's company, having established the French franc unit value of its product at the outset, had sold forward French francs for at least part of the value of the order under negotiation, it would at that time have established a sterling price. There are then four possible eventualities depending upon whether the order is obtained or not and on whether the French franc appreciates or depreciates in terms of sterling against the established forward rate. *If the franc depreciates,* as it did in Mr. Scott's case and he gets his order, he has protected himself: if he doesn't get the order he can liquidate his position by buying in the French franc he has sold forward and make a profit. If the franc should appreciate and he gets the order, at least he is no worse off than when he established the sterling price at the outset, although he could cut out his sale on a stop-loss basis and *re-sell the proceeds in due course* if he wished. If it appreciated and he did not get the order, he would have to buy in at some cost to himself but this can be mitigated to some extent by regular watching of the forward exchange rate in conjunction with the likely progress of the negotiations and the outright forward rate at which he has already dealt.

P. W. R. Robeson.
Chamberlyns, 1, Codicote Road, Welwyn, Herts.

The importance of architecture

From the Director, Patent Glazing Conference

Sir,—Colin Amery's review (March 30) of the Omnibus programme on Norman Foster certainly conveyed the elan of the architect and his buildings. His love affair with glass has resulted in some brilliant architecture showing to excellent effect the aesthetic and utilitarian advantages of the material. It was a delight to see buildings which stood out from their surroundings with an individuality lacking from so many others, and evidently at no greater cost.

The use of glass to construct a complete building envelope is not, however, original and has previously been used elsewhere, by other architects employing established but evolving techniques such as patent glazing. May we hope BBC TV can be encouraged to explore further visual opportunities of this sort and increase awareness of the importance of architecture and design.

P. J. Gilder.
13, Upper High Street, Epsom, Surrey.

Easy source of energy

From Mr. W. Clennell

Sir,—The letter on "Electricity pricing" from D. Wood and E. Whiting (March 31) explains the problem for the Electricity Board in supplying cheap electricity to ICI for chlorine manufacture at Runcorn. Costly fuel compounds the problem of amortisation policy.

There are two large metropolitan areas within a reasonable distance of *Runcorn, each* having an abundant supply of fuel at give-away prices. This fuel is domestic refuse which has a calorific value of about one-third that of coal. An incineration plant of reasonable size with waste-heat recovery facilities could produce about 25MW for external use (and more if needed).

The transportation of refuse in bulk to Runcorn would be costly however. It would be much better to construct an incinerator near to the centre of collection of refuse; and then to transmit the power. It would be nonsense to construct a transmission line for the power, however, when a very good system already exists.

Is it not possible, therefore, to obtain collaboration between local government and industry allowing the production and sale of power from one to the other, with the Electricity Board collecting a fee (say, one half pence per unit) for the use of the transmission system? All parties appear to benefit, and, for a viable project, financing of plant construction is unlikely to be a problem.

W. A. Clennell,
Motherwell Bridge Tacol,
Green Dragon House,
64-70 High Street,
Croydon, Surrey.

Engineering compromise

From the General Secretary Amalgamated Union of Engineering Workers (Technical Administrative and Supervisory section).

Sir,—It is now well over a year since the Finniston committee of inquiry reported amid much fanfare. But the initiative it created has long been lost. The Government has totally failed to take on the professional institutions who from the start have been determined to scupper *the Finniston report.*

One of the strengths of the report was its readiness to take on powerful vested interests in order to stimulate much needed change and to overcome the inertia and negativism of prevailing attitudes within manufacturing industry.

The Government's vacillation on the implementation of the report has allowed the leaders of the institutions to dictate their own terms. This was made clear at the Council of Engineering Institution's annual meeting (March 26) when the retiring chairman stated that there would be no rapid ceding of powers to the Government's proposed engineering council.

Had the Government adopted the recommendation of Finniston and established a statutory engineering authority at the outset, few of these problems would have arisen. The new body would, with Parliamentary backing, *have had sufficient* status to overrule the objections of the institutions.

Instead we have the spectacle of Sir Keith Joseph pleading with the leaders of the institutions to support his new council. Judging by the response to the only institution which has sought the opinions of their members, these leaders do not even reflect the position of their members.

The members of the Institution of Electrical Engineers strongly favoured a new body with statutory backing, an option already rejected by the Council of Engineering Institutions. The chartered engineering council proposed by the Government is a compromise that nobody much likes. The best solution, even at this late stage, would be for the Government to implement Finniston's proposal for a statutory authority.

K. Gill.
AUEW (TASS),
Onslow Hall, Little Green,
Richmond, Surrey.

Today's Events

GENERAL

UK: Delegate conference of shipyard workers discusses pay *offer and redundancy plans*, Newcastle upon Tyne.

The Royal Institute of International Affairs briefing on Western economic relations with *Eastern Europe, Chatham House,* SW1.

Lloyd's Register of Shipping publishes annual report.

Gas and oil futures market opens, Mark Lane, EC3.

Mr. Michael Foot, Opposition leader, and Mr. Len Murray, Trades Union Congress general secretary, speak at TUC rally in Birmingham.

Mr. Gerald Kaufman, Opposition Environment spokesman, addresses public meeting on rates, Ilford.

Glass and Glass Technology Exhibition opens, National Exhi*bition Centre, Birmingham,* (until April 8).

Traffic Engineering and Road Safety Exhibition opens, Brighton (until April 9).

Advances of microprocessor technology in pharmaceutical analysis, conference and demonstration, Gloucester Hotel, SW7.

Sir Ronald Gardner Thorpe, *Lord Mayor of London, tours New* Scotland Yard, and lunches with Sir David McNee, Metropolitan Police Commissioner.

Real Ale Festival opens at The Clarence, Whitehall, SW1 (until April 11).

National Union of Journalists members on London weekly newspapers start one-day strikes in protest at closure of Camden Journal.

Overseas: Lord Carrington, Foreign Secretary, meets Mr. Masayoshi Ito, Japanese Foreign Minister, Tokyo (until April 8).

International cocoa agreement *talks resume, Geneva* (until April 10).

European Parliament session opens, Strasbourg (until April 10).

PARLIAMENTARY BUSINESS

House of Commons: Insurance Companies Bill, remaining stages. Motion of financial assistance to International Computers Ltd. Motion on EEC research and development in biomolecular engineering.

House of Lords: Companies Bill, report stage.

OFFICIAL STATISTICS

March provisional wholesale price index numbers. Hire purchase and other instalment credit business for February. February final figures for retail sales.

COMPANY MEETINGS

See Financial Diary on page 9.

Prestwich Parker reorganises

Prestwich Parker has reorganised its traditional manufacturing activities at Atherton, Manchester, into a wholly-owned subsidiary Prestwich Parker (Fasteners)—a name which identifies more closely with the company's product range.

Mr. A. Baker, Mr. J. B. Crawley and Mr. J. McPhail have resigned from the board of the parent company to facilitate this change.

Mr. Baker and Mr. Crawley will continue as directors of Prestwich Parker (Fasteners) and Mr. McPhail as managing director of subsidiary Potter Cowan, merchanters of industrial fasteners and safety products.

Mr. Gerald Parker is to relinquish the chairmanship of Prestwich Parker but will continue as chairman and managing director of the new subsidiary and as chairman of Potter Cowan.

Mr. Jeffrey Rubins has been elected chairman of Prestwich and appointed to the boards of the subsidiaries.

A notice will shortly be sent to shareholders convening an extraordinary general meeting for the purpose of approving resolutions adopting new articles.

James Dickie setback

A poor second half reduced taxable profits of James Dickie and Co. (Drop Forgings) from £224,521 to £88,693 for the year to the end of October, 1980, on increased sales of £4.89m (£4.03m).

After the first six months, pre-tax earnings had risen from £99,876 to £106,618.

The directors are proposing a reduced final dividend of 1.5p (2.438p), making a net total for the year of 3.938p (4.876p). Earnings per 25p share were down from 7.43p to 2.85p.

Howard and Diamond first meeting today

BY TERRY GARRETT

Today the first meeting will take place between Howard Machinery and Diamond Industries of the U.S. Diamond bought a significant stake in the loss-making UK agricultural equipment manufacturer earlier this year.

Mr. Stanley Mann, president of Diamond, will meet Mr. Peter Colecloush, Howard's chairman, and Mr. Frank Alsop, the chief executive.

Mr. Colecloush said last week: "I have no idea of Diamond's motives. As far as I can see there is no commercial logic, but there may be."

Diamond is a private U.S. group based in Delaware with interests in the retail and oil and petroleum products sectors. The group employs around 200 people and last year achieved sales of $200m.

Diamond bought 14.9 per cent of Howard in a "tea time raid" early in February at 28p a share. It later brought its direct holding up to 16.7 per cent with further purchases from Marlborough, Howard's largest shareholder. Marlborough also granted Diamond an irrevocable proxy over its remaining stake of 6.9 per cent.

Thus Diamond has effective voting control of 23.6 per cent at present.

In the year to October 31, 1980 Howard reported a pre-tax loss of £2.92m against a £1.23m profit. After extraordinary items the company made a net loss for the year of £4.38m.

Howard's annual meeting is in Ipswich on Friday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims—Bryant, Highland Distillers.

Finals—Alva Investment Trust, Blantyre Tea, Reed Executive.

FUTURE DATES

Interims—

Sterling Credit	†Apr. 8

Finals—

Bambers Stores	Apr. 14
Barrow Hepburn	Apr. 15
Barmah Oil	Apr. 15
Clarke Nickolls and Coombs	Apr. 9
Dunlop	Apr. 23
Fothergill and Harvey	Apr. 10
Hyman (I. and J.)	Apr. 14
Martin (Albert)	Apr. 15
Miller (F.) (Textiles)	Apr. 10
Scottish Mortgage and Trust	Apr. 16
Smith (W. H.)	Apr. 21
Stanley (A. G.)	Apr. 8
Watts Blake Bearne	Apr. 8

†Amended.

Premier's U.S. oil stake

Premier Consolidated Oilfields, the UK independent, and Arbuthnot Latham, its merchant bank, are expected to announce today a $5m investment in U.S. oil and gas acreage through the already-existing vehicle of Rocky Mountain Oil and Gas.

Rocky Mountain will invest the money to secure a 25 per cent stake in 656,000 acres of potential oil and gas property in the Rocky Mountains and the Pacific Northwest. Arbuthnot and Premier, as partners in the business, will each acquire a 12½ per cent interest.

The acreage is operated by May Petroleum, a U.S. energy company. Today's announcement will detail a £2.1m offer of new shares in Rocky Mountain.

Poor order book at Vantona

ORDER BOOKS of Vantona Group for the first half of the current year are far from encouraging, reports Sir James Spooner, chairman.

Although the second half outlook for this textile manufacturer is somewhat brighter, he says it would be unduly optimistic to expect any material improvement in 1981.

The group has continued to invest in new equipment to improve productivity and in modern instrumentation to reduce sub-standard quality. It is also committed to an energy saving programme. Much has been achieved already, but there is still a long way to go, Sir James states.

He adds, however, that the company is in an excellent position to take advantage of any economic recovery.

The directors consider that group properties have a value over book of £4.2m before tax.

At November 30, 1980, shareholders' funds amounted to £43.71m (£41.76m). A statement of source and application of funds shows a £673,000 decrease (£5.27m increase) in net working capital.

Meeting, Manchester, on April 28, at 2.30 pm.

Elys shows a better trend

After a £42,238 plunge to £24,283 at mid-year, taxable profits of Elys (Wimbledon), department store operator and draper, recovered to £288,404 against £270,608 in the second half. But this still left the surplus for the full year at January 31, 1981 lower at £312,687, compared with £337,109.

A final of 3.85p net raises the total dividend from 4.5p to 4.85p.

Turnover eased from £6.95m to £6.59m and, after a lower tax charge of £131,945 (£183,295), net profits came through ahead at £180,722 (£153,814), or £56,000 after CCA adjustments.

Stated earnings per 25p share are 12.14p (13.65p).

A surplus on property revaluation of £2.04m and tax liability of around £600,000 are not shown in the accounts.

FT Share Information

The following security has been added to the Share Information service:—

Bank America Corp. (Section: Americans).

ARMITAGE BROS. DOWNTURN

On turnover of £9.45m against £8.64m, 1980 taxable profits of Armitage Brothers, net products manufacturer, fell from £611,000 to £426,000.

After tax of £82,000 (nil), earnings per £1 share are shown as 86p (153p) and the single dividend is held at 24.5p.

AUTHORITY PAYMENTS

Pre-tax profits of Authority Investments fell £83,851 to £122,107 for the year to the end of September 1980, on turnover up from £2.26m to £3.09m. The group is again omitting a dividend.

The pre-tax surplus includes a profit on the sale of investments of £84,442 (£3,330).

After an increased tax charge of £3,535 (£1,245), earnings per 20p share emerged at 2.37p (4.09p).

FLOYD OIL

Floyd Oil Participations has been granted permission for its ordinary shares to be traded in the Unlisted Securities Market from today.

Previously the UK oil and gas exploration company's shares were traded under rule 163(3). The number of ordinary shares in issue is 9.150m.

BIDS AND DEALS

Phoenix Mining buys 50% of Kane Invs.

Terms have been agreed and contracts exchanged for the purchase by Phoenix Mining of 50 per cent of the capital of Kane Investments, a private property development company registered in Jersey. The two directors of Kane, Mr. Cecil Galliford and Mr. Adam Loxton-Peacock, will join the Board of Phoenix. Mr. L. C. Elliot and Mr. R. Brooks will join the Board of Kane.

The initial consideration will be £60,000 and 60,000 ordinary shares of Phoenix. Deferred consideration in cash, shares or loan stock may also become payable annually after September, 1981 on a formula basis related to the net realisable asset value of Kane.

The terms provide that the maximum deferred consideration will be £1.38m if the net realisable asset value of Kane reaches £10m.

C. H. PEARCE AND R. HARRIS

Agreement has been reached for C. H. Pearce and Sons to acquire the British Shipbuilders' subsidiary, R. Harris and Sons (Builders), a housebuilding and contracting company based in north Devon.

The consideration is £457,000 and the immediate repayment of a £750,000 loan made by British Shipbuilders to Harris.

The net book value of the assets being acquired as at September 30 was £443,000.

Pre-tax profits of Harris for the year ended March 31, 1980, were £361,774 and for the 11 months to February 28 last are not expected to be less than £360,000.

WESTLAND BUILDS UP HEAT TRANSFER

As part of a programme to broaden its market and expertise in the heat transfer equipment field, Normalair-Garrett, a subsidiary of Westland Aircraft, has purchased Delaney Gallay Dynamics. The value of the net assets acquired is £125,000.

Normalair-Garrett has been required to vacate DGD's site at Cricklewood, North London, and will be transferring the plant, machinery, tooling and work-in-progress to the recently-acquired NGL building on the Lynx estate at Yeovil.

NGL's existing heat transfer activities will also be transferred to the same building, which when fully operational later this year, will become the company's heat transfer division.

HOLT SUBSIDIARY FORMED IN ITALY

Holt Lloyd International announces the formation of an Italian subsidiary, Holt Lloyd SRL, in which it will hold a 70 per cent stake. The new company will take over the marketing and distribution of Holt products from the existing distributor. Terms have been agreed for the purchase of stocks and certain other assets.

J. F. Nash disposal

J. F. Nash Securities has sold Somerset Brick Company to Powell Duffryn Quarries for approximately £566,000 cash, the proceeds of which will be applied in reducing the borrowings of Nash.

SBC's borrowings amount to approximately £395,000 so the transaction will have the effect of reducing borrowings of Nash by some £950,000. At end-September, 1980. SBC had net assets of £551,000. Its profits were £63,000. In the current year it has been adversely affected by the recession in the building industry.

The position of Nash's other brick manufacturing subsidiary, New Aberdare Brick Company, is not affected by the transaction.

GEC COMPLETES U.S. ACQUISITIONS

General Electric Company has completed its acquisitions of Picker Corporation and Cincinnatti Electronics in the U.S.

A new company, Picker International, 80 per cent owned by GEC, has acquired Picker Corporation, of Cleveland, Ohio, GEC Medical in the UK and the medical divisions of Cambridge Instrument Company.

With annual sales of US$650m, Picker International becomes the fourth largest medical electronics company in the world. It employs about 7,000 people.

Mr. David Lewis, vice-chairman of GEC, will be chairman of the new corporation and Dr. Terence Gooding, chairman of Cambridge Instruments, will be its president and chief executive.

Cincinnati Electrones, which manufactures defensive electronics primarily for military communications is, together with GEC's subsidiary, Marconi Space and Defence Systems, developing a new frequency-hopping tactical radio for the U.S. Army.

SCOTCROS BUYS FRENCH PLANT

The French subsidiary of Scotcros, the Glasgow-based packaging, food and engineering group, has purchased a 3,500 square metre factory and 14,000 square metres of vacant land at Marsauceux near Paris at a cost of £200,000.

This investment will provide the subsidiary, Scotcros Group Industrie, with extra production capacity which will enable Scotcros' French companies to increase their sales of machinery for the bottling industry.

In 1980, sales of specialised bottling machinery on the Continent and North Africa exceeded £1.25m.

SPAIN

1981 High	1981 Low		April 4 Price %
298	251	Banco Bilbao	294
340	280	Banco Central	335
270	229	Banco Exterior	257
295	239	Banco Hispano	290
129	120	Banco Ind. Cat.	127
348	284	Banco Santander	322
189	148	Banco Urquijo	183
320	263	Banco Vizcaya	316
252	204	Banco Zaragoza	225
150	82	Dragados	140
75	45	Espanola Zinc	75
59	55.5	Fecsa	58.5
35	22	Gal. Preciados	30.2
71	63	Hidrola	63
62.5	52	Iberduero	53
95	70	Petroleos	93
80	70	Petroliber	70
102	85	Sogefisa	85
63.5	60	Telefonica	60.7
66	60	Union Elect.	63

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

Week closes with optimism on the wane

A GROWING mood of optimism was the keynote among participants in the Eurobond markets last week, at least until Thursday. U.S. interest rates fell sharply and new issue managers exercised much restraint in bringing borrowers to the market: only $140m worth of new fixed interest dollar Eurobonds were announced during the first four days of the week.

On Wednesday, the West German Capital Markets Sub-Committee agreed to reopen the new issues market, which had been effectively closed since mid-November, and announced a *new issue calendar of DM 600m-DM 700m for April.* In France, the issue on offer for Air France was well received while Swiss franc foreign bond prices were holding up well.

By the end of the week, however, much of this optimism had evaporated despite the launching of a $100m issue for Royal Bank of Canada. The reasons were not hard to find. Six-month Eurodollar rates which had shed 1½ points during the previous three days began to edge back up again on Thursday and this trend was confirmed on Friday, when the six-month rate closed at 14¼ per cent, ⅜ of a point up on the day. The New York bond market started off badly: U.S. wholesale prices were much worse than feared and bankers were expecting disappointing U.S. money supply figures.

Trading in the secondary market was quieter on Friday after a week of good activity, during which prices rose by an average of ¾ of a point. Dealers said that investors were liquidating short-term deposits to buy bonds, rather than raising the finance by switching around from one sector of the bond market to another. *All new* fixed interest dollar bonds were well received.

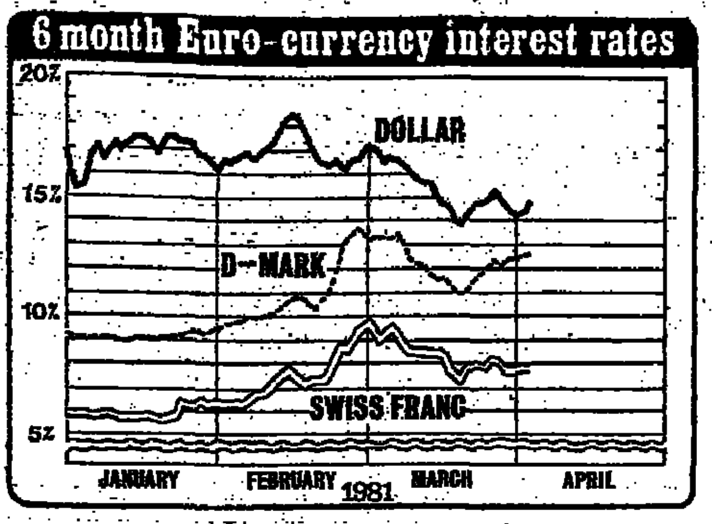
First off the mark was Morgan Guaranty with a $40m seven-year issue for the European Coal and Steel Community. Merrill Lynch quickly followed with a $50m issue for Toronto Dominion Bank and, late on Thursday night, Credit Suisse First Boston launched a $50m straight bond for Alcoa of Australia. All three issues were being offered to investors on the basis of a 14 per cent yield, or more. The same yield level was available on the Royal Bank of Canada issue announced on Friday, but how it performs will be a little more dependent than in the case of the other three issues on what the U.S. money supply figures look like and how the New York bond market then performs.

In the convertible sector, Salomon Brothers was able to *increase the offering for Hospital Overseas Corporation from* $60m to $80m, thus making it the largest ever Euro-convertible issue for a U.S. borrower. The timing of the issue was certainly well chosen, as it coincided with the Dow Jones industrial average breaking through the 1,000 barrier once again.

The first launching in the *newly reopened D-Mark foreign* bond sector was a DM 100m 10-year issue for the Council of Europe. It appears to have met with a good reception, although most of the paper was placed with German investors rather than foreigners. On Friday the issue was quoted around par in grey market trading.

The secondary D-Mark sector, however, suffered falls in prices on Thursday and Friday. Rising U.S. interest rates and renewed concern about developments in Poland were blamed by bankers. Prices of Swiss franc Eurobonds gained about quarter of a point on the week in quiet trading.

After the good reception afforded to the Air France issue, the next bond in the French franc sector is expected to be a FFr 400m exercise for the Bank of America, a prestigious name this increasingly active sector deserves.



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Pemex	125	1991	10	6*	100	Manufacturers Hanover, CCF	6.090φ
‡Genstar	50	1991	8½	14½	99	Soc. Gen. de Banque Orion	14.949
††United Mexican States	100	1988	7	*	100	Morgan Stanley	*
‡Hitachi	100	1996	11½	6–¾	100	Morgan Stanley	*
‡§Hospital Ov. Cap. NV	80	1996	15	8¾	100	Salomon Bros.	8.750
‡ECSC	40	1988	7	14	99½	Morgan Grenfell, Salomon Bros., Societe Generale, SBC	14.118
Toronto Dominion Bank	50	1984	3	14	100	Merrill Lynch	14.000
Alcoa of Australia	50	1991	7.9	13½	94½-5	CSFB	*
§Hanson Ov. Fin. BV	25	1996	15	9½-10	100	CSFB	*
‡Royal Bank of Canada	100	1986	5	14	100	RBC, Merrill Lynch, Orion	14.000
‡*‡§Tran. West. Expn. Fin. NV	5	1986	5	8¾	100	Bateman Eichler Hill Richards	8.750
D-MARKS							
Council of Europe	100	1991	8	10	100	BHF Bank	10.000
FRENCH FRANCS							
‡Air France	200	1986	5	14½	100	BUE	14.500
SWISS FRANCS							
‡‡ADB	100	1991	—	7	100	SBC	7.000
‡Aeroport de Paris	60	1991	—	6½	100	CCF (Suisse)	6.500
‡Swedish Export Credit Corp.	75	1991	—	7¼	99½	Soditic	7.322
‡City of Bergen	40	1991	—	6¾	100	Credit Suisse	6.750
ECSC	80	1991	—	6¾	100¼	UBS	6.680
STERLING							
‡Hiram Walker Hldgs.	25	1986	5	14½	99½	S. G. Warburg	14.397
GUILDERS							
**Nederlandse Credietbank	40	1986	5	11½	100	Nederlandse Credietbank	11.250
IADB	60	1991	8	11½	*	ABN, AmRo	*
YEN							
‡**Caisse National des Autoroutes	10	2001	16.4	8.8	100	Nomura Secs.	8.994
‡Asian Development Bank	15	1996	12.3	8.3	99.65	Daiwa Secs.	8.539
ECU							
SOFTE (g'teed STET)	30	1987	6	13	100	Kredietbank Intl.	13.000

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. φ Minimum. § Convertible.
†† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Poland struggles back from the brink

AT THE start of last week Poland appeared to be pretty close to the brink where its debt problems were concerned. Press reports, later denied by those involved, suggested the country was already in default; financial aid from the Soviet Union was drying up; and banks were still expressing reluctance to help as they assembled in London for crisis talks with Polish Government officials.

But, propelled perhaps by the very urgency of the situation, international banks have now begun to make some headway on Poland's request to refinance about $3.1bn in commercial bank debt falling due this year. What this progress basically involves is the establishment of a negotiating framework in which the problem can be resolved.

A task force of banks is to meet the Polish officials again, probably around April 15, for a further round of discussions. They hope, by then, to have in place an interim agreement whereby Poland will be able to defer repayment of debt falling due until June 30, although it would still have to maintain interest payments.

By then, also, the banks should have a firmer lead from Western governments which are meeting Poland in Paris this Thursday and Friday for a crucial set of talks that could lead to provisional proposals to reschedule $4.4bn in official debt falling due this year.

No final agreement between Poland and its Government and bank creditors seems possible before the end of the month at the earliest, but the fact that one can now talk of dates at all is a major *step forward.* When Poland first put its request to the banks in early March it met with a blank response and for several weeks it seemed as if the banks would never act.

Meanwhile, developments in Poland have led to a slightly muted response to Hungary's $400m credit at present being co-ordinated by Citicorp. No one expects the credit to run into serious difficulties, but there is a feeling among at least some of the banks involved that the response might have been somewhat more enthusiastic had tension been less high elsewhere in Eastern Europe.

Elsewhere in the market, a number of new credits were being tantalisingly slow to materialise, although deals for both Greece and Portugal are now taking shape.

Greece is to meet bankers this week to thrash out the terms on its forthcoming $400m credit, which now seems likely to embody a margin of ⅝ per cent for the first five years, rising to ¾ per cent for the remaining five.

In the case of Portugal's $500m credit, these margins would be reversed with the borrower paying ¾ per cent for the first six years and ⅝ per cent for the remaining two. This is an unusual construction, but it does make the deal a little more attractive to the banks, which would receive the lower spread only after repayments have begun and they hold less of the loan on their books.

Even so, the fact that a borrower such as Portugal, which is not normally included among the absolute top ranking names in the Euromarket, can aspire to an element of ⅝ per cent in its margins testifies to the continuing appetite among banks for West European assets.

This appetite could be increased from one-quarter, with news that Japan's Ministry of Finance is to allow Japanese banks to lend $6bn in the Eurocredit market in the coming six months compared with only $5bn in the period to March 31.

The ministry has also scrapped the ruling limiting the share of Japanese banks to only 20 per cent of individual credits. It is understood that Japanese banks may now be allowed up to as much as 50 per cent of any one credit and in very exceptional cases they may even *gain permission to take 100 per* cent.

How much use the banks will make of their new found freedom remains to be seen. Like other international banks, some have been showing an altogether more cautious attitude to the market in recent months.

The Kingdom of Morocco is expected to come to the market soon with a $250m to $300m credit led by Ubaf Bank. This would be an eight-year credit with a split margin of 1¼-1½, somewhat higher than those set on a similar loan arranged last year.

U.S. BONDS

BY IAN HARGREAVES

Downhill trek as Fed disappoints

THE NEW YORK credit markets had plenty to think about last week with an attempted assassination of the President, the worst inflation figures for months and a meeting of the Federal Reserve's Open Market Policy Committee. Ironically, it turned out to be the attempt on Mr. Reagan's life, or rather the relief on Tuesday when it became clear that the President was on the road to a speedy recovery, which gave the markets their best day.

The two major corporate borrowers of the week, General Motors Acceptance Corporation and Philip Morris, having delayed their offerings when news of the shooting reached Wall Street, were able the next day to decide to increase their planned isues to take advantage of a drop in rates.

Philip Morris's $125m of A-rated 10-year notes were priced to yield 14.12 per cent and sold well. GMAC's deep discounted 6 per cent 30-year debentures also sold well with a 13.8 per cent yield, but a *companion offering of 10-year* notes had a slightly harder time.

The market also had a chance to evaluate a relatively rare—these days—B-rated issue from MCI Communications, which sold $125m of 14½ per cent debentures due in 2001—more than double the intended offering. But MCI had to pay a yield of 16.8 per cent, a stark illustration of money costs for companies in the U.S. which lack blue chip status.

The day after the Washington shooting, the Fed's Open Market Policy Committee held its regular meeting and from then the market was downhill most of the way. Optimists had been looking for some sign of an easier stance by the Fed after this meeting, but instead the central bank watched the Fed funds rate trade over the *15 per cent mark on Friday* without intervention.

There is not much doubt that the Fed, having agreed to relax conditions at its early February meeting (those minutes were released on Friday), is now taking stock and keeping a close eye on money supply growth, which many analysts expect to accelerate sharply in April. The sight of a 1.3 per cent increase in producer prices for March, albeit sharply influenced by oil prices, and other signs of a still sprightly economy, provide further justification for such a stance.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	96	96½	−0¾	−0½	14.11
CECA 11½ 88	100	88½	89¼	−0¼	+0¾	13.99
CNE 12¾ 91	100	92¾	93¼	−0¼	−0½	14.08
Citicorp O/S Fin. 10 86	300	85½	86	−0¼	+0¾	13.98
Citicorp O/S Fin. 12 87	200	91½	92	−0½	0	13.96
Con. Illinois O/S 9¾ 86	150	84¾	84⅞	−0¾	+0½	14.05
Denmark 11¾ 90	100	86	86½	−0½	+0¾	14.64
Dupont Canada 13½ 91	65	96¾	97¼	−0¾	+0¾	14.06
EEC 11 85 (May)	75	81¾	82¼	−0½	+0⅞	13.95
EEC 11 85 (August)	70	79¾	80¼	−0¾	+0¾	14.26
EIB 13¾ 90	100	97¾	97¾	−0¼	−0¼	14.21
Eksportfinans 9½ 87	75	82¾	82⅞	−0¾	+0¾	13.78
Eldorado 13¾ 86	50	96¼	96¾	−0½	0	14.27
Elec. de France 10 88	125	82¾	83¼	−0½	+0¼	13.87
Elec. de France 13 88	125	95¾	96¼	−0¾	+0¾	13.88
Export Dv. Cpn. 12¾ 87	100	94¾	95¼	−0¾	−0¼	14.03
Export Dv. Cpn. 9½ 86	150	83¾	84¼	−0½	+0¾	14.27
Fed. Bs. D. 12¾ 85 (N)	50	93¾	94¼	−0¾	+0¾	14.00
Fin. Exp. Credit 10½ 85	50	87	87½	−0½	+0¾	14.70
Finland, Rep. of 9¾ 86	100	82½	83	−0¾	+0¾	14.63
Ford Credit O/S 14¾ 83	150	99	99½	−0½	+0¾	14.88
Ford Cr. O/S Fin. 16 84	150	103¾	103¾	−0½	+0¾	14.32
Gaz de France 13½ 86	80	96¾	96⅞	−0¾	+0½	13.87
GMAC O/S Fin. 12 87	100	89¾	90¼	−0½	−0¼	14.42
GMAC O/S Fin. 12⅞ 88	100	92¼	92¾	−0½	−0¼	14.69
Gen. Mtrs. O/S 11¾ 87	100	89¾	89¾	−0½	+0¾	14.26
GTE Fin. 13¾ 86 (WW)	50	99¾	99¾	−0¼	+0½	13.89
Hudson's Bay 11½ 90	75	86½	87	−0¾	+0⅞	14.14
IBM Wld. Trade 12⅞ 88	200	95¾	96¼	−0¾	+0¾	13.43
Newfoundland 13½ 90	60	96¼	96⅞	−0¾	+0¾	14.17
Nova Scotia 10¾ 90	50	82¾	82¾	−0½	0	14.23
OKB 10 85	50	87¾	88¼	−0¾	−0¾	13.81
Ontario Hydro 13½ 91	100	96¾	97¼	−0½	+0¾	14.08
Quebec Hydro 11½ 92	100	85¾	85⅞	−0¾	+0¾	14.10
Queb. Hy. 13 91 (WW)	100	93¾	94¼	−0¾	+0¾	14.17
Rovlease 11¾ 85	50	90¾	91¼	−0¾	+0¾	14.20
SNCF 12¾ 85	50	96	96½	−0¾	+0¾	13.60
SNCF 13 91	75	93¾	94¼	−0¾	−0¾	14.12
Sven Handelshk 13¾ 88	45	96¾	96¾	−0¾	+0¾	14.60
Sweden 12¾ 85	150	95	95½	−0½	+0¾	13.81
Swed. Ex. Credit 12 83	50	94¾	94¾	−0¾	+0¾	14.62
Swed. Ex. Credit 13 88	75	94¾	95¼	−0¾	−0¼	14.51
Tribune O/S Fin. 14 86	50	98½	99	−0¾	+0¾	14.35
World Bank 9¾ 85	200	87½	88	−0¾	+0¾	13.75
World Bank 10¾ 87	300	85½	86	−0¾	+0½	13.79

Average price changes... On day −0¾ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 90	100	90¾	91¼	−0¾	+0¾	9.81
Australia 8½ 90	250	95¾	96¼	−0¾	+1	8.87
Austria, Rep. of 8¾ 92	150	89¾	89¾	0	+0¾	9.80
CECA 7½ 92	150	87¾	88¼	−0¾	+0¾	9.80
CECA 10 91	120	102¾	103	0	+0¾	9.57
Cll-Honeywell 8¾ 90	125	91¾	92¼	−0¾	+0¾	9.75
EIB 8½ 90	200	91¾	92¼	−0¾	+0¾	9.77
EIB 10½ 91	200	102¾	103¼	−0¾	+0¾	9.99
ESCOM 9¾ 87	100	94¾	94¾	−0¾	+0¾	10.42
Iberduero SA 9 90	100	94¾	95¼	+1¾	+2¾	9.87
Ind. Bk. Finland 8½ 90	50	90¾	91¼	−0¾	+0¾	10.03
Int.-Amr. Dv. Bk. 10 91	100	100	100¾	−0¾	0	9.93
Japan Air Lines 8½ 87	100	92¾	93¼	0	+0¾	9.53
Japan Dev. Bank 7¾ 87	100	90¾	90½	0	0	8.66
Kobe, City of 8 90	100	90¾	91¼	−0¼	+1¼	8.54
Midland Int. Fin. 8½ 90	180	92¾	93¼	−0¾	+0¾	9.60
Nuclebras 9¾ 88	100	88¾	89¼	−0¾	+0¾	12.04
OKB 8¾ 92	150	89¾	90¼	0	+0¾	9.74
Oslo, City of 8¾ 90	80	95¾	96¼	−0½	−0½	9.43
Venezuela, R. of 8¾ 90	150	94¾	95¼	0	+0¾	10.59
World Bank 8 90	700	88¾	89¼	0	+0¾	9.80
World Bank 10 86	150	101¾	102¼	+0¾	−1¼	9.48
World Bank 10 90	200	101¾	101⅞	+0¾	−0½	9.74

Average price changes.. On day −0¾ on week +0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5¾ 90	100	†91½	92	0	−1¼	6.67
BFCE 6½ 91	100	101	101¼	−0¼	+0½	6.34
Bayer Int. Fin. 5¾ 92	100	92¾	93¼	+0¾	+1	6.21
Bergen, City of 6 90	50	95½	95¾	−0½	−1½	6.65
Buhrm'n-Tetterode 7 90	40	101¾	102¼	+0¾	+0½	6.70
Copenhagen Tele 5¾ 90	60	91½	92	+0½	0	6.96
Denmark 5¾ 90	80	92¾	92½	−0½	+0¾	6.89
Rome Petroleum 5¾ 91	100	95½	95¾	0	+0¾	6.38
Elet. de France 5¾ 90	100	93¾	93½	−0¾	+0¾	6.19
Eurofima 5¾ 92	80	†89	89½	−0¾	−0½	5.84
F. G. H. Hypo. Bk. 6 90	50	†96½	97	+0¾	+1	6.48
Finland, Rep. of 5¾ 90	80	91	91¼	−0¾	−0¾	6.34
Int.-Amer. Dev. 7 90	80	101¾	101¾	+1¼	+1¾	6.77
Japan Dev. Bank 5¾ 90	100	†95	95¼	+0¾	+1¼	6.44
Jutland Tele. 5¾ 90	50	90¾	90¾	+0½	−0¾	6.85
Mt. Blanc Tunnel 5¾ 90	60	93	93¾	+0¾	+0¾	6.49
Newag 5¾ 90	80	†95½	96	+0¾	+2¾	6.37
Norges Komm. 4¾ 91	100	84¾	84½	−0½	+0¾	6.46
OKB 6 90	100	†96	96¾	−0½	+0¾	6.58
Oslo, City of 4¾ 91	100	81¾	81⅞	−0½	+0¾	6.86
Oslo, City of 5¾ 90	80	93	93¾	−0½	−1¼	6.87
Philips Lamps 5¾ 92	100	91¼	91½	0	+0½	6.34
Sekisui Pre. Hms. 6 90	80	97¾	97½	+0¾	−0½	6.38
Trade Dev. Fin. 6¾ 90	50	96¾	97	+1¾	+0½	6.57
Voest-Alpine 5¾ 90	80	93	93½	0	−0¾	6.75
World Bank 6 91	100	95¾	95¾	0	−0¾	6.67

Average price changes.. On day 0 on week +0¾

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	93½	93⅞	−0¾	−0¾	8.53
Australia 6½ 88	20	87¾	88¼	−0¾	−0¾	8.94
EIB 7¾ 89	12	93¾	94¾	−0½	+0½	8.75
Finland 5.6 83	10	92¾	93¾	−0¾	−0½	8.83
Finland 6.8 88	10	87¾	88¼	−0¾	0	9.14
Finland, Rep. of 8½ 87	15	97¾	98¼	−0¾	+0¾	8.74

Average price changes... On day −0¾ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	90½	91½	−0¾	−0½	13.16
CIBC 13½ 85 C$	50	97¼	97¾	0	−0¾	14.31
CIBC 11½ 85 C$	60	90½	91¼	−0¼	−0¼	14.49
Federal Dev. 11½ 90 C$	60	†85½	86¼	0	+0¼	14.34
Fst. Can. Inv. 10 84 C$	50	†88½	89¼	−0¼	+0¾	14.67
R. Bk. Canada 10 86 C$	40	91½	92½	0	+0½	12.17
Tordom Cpn. 13½ 85 C$	30	†97	97¾	−0¼	−0¾	14.36
M. Bk. Dnmk. 9 91 EUA	25	90	91½	0	−0¾	10.47
SOFTE 8¾ 89 EUA	40	85½	86¾	0	−1¼	10.93
U. Bk. Nrwy. 9½ 90 EUA	15	96¾	98	0	−0¾	9.95
Algemene Bk. 10¾ 86 Fl	60	97¾	97¾	0	+1½	10.89
Bk. Mees & H. 10 85 Fl	75	97½	98	0	+0¾	10.64
Heineken NV 10 87 Fl	100	95	95½	−0¾	0	11.06
Nat. Nedrlndn. 10 88 Fl	60	94¾	95¼	−0¾	+0¾	11.09
Ned. Midd. Bk. 10 85 Fl	75	98¾	99¼	0	+0¾	10.29
Pierson 10½ 85 Fl	50	97¾	98¼	−0¾	−0¾	10.75
Aero Paris 13¾ 87 FFr	150	93¾	94¾	−0¾	+0¾	14.48
Charb'nages 13¾ 86 FFr	400	98¾	99¾	0	−0¾	14.20
CECA 14¾ 86 FFr	150	99¾	100¾	+0¾	+0¾	14.21
EIB 14¾ 88 FFr	300	98¾	99¾	+0¾	+0¾	14.35
Gaz de France 11 84 FFr	150	91½	92½	0	−0¾	13.97
La Redoute 14¾ 85 FFr	125	95½	96½	0	0	15.57
OKB 14 86 FFr	400	98½	99½	0	−0¾	14.27
Solvay et Cie 14¾ 86 FFr	200	102	103	+0½	−0¾	14.00
Utd. Mex. Sts. 14 85 FFr	150	96¾	97¾	0	0	14.89
Acode 14 85 £	20	95¾	96½	−0¾	+0¾	15.15
Beneficial 14½ 90 £	20	92¾	93¾	0	−0¾	16.60
BNP 13½ 91 £	15	96	96¾	−0½	0	14.18
CECA 13½ 88 £	20	96¾	97	0	0	14.21
Citicorp O/S 13½ 90 £	50	95½	96½	−0¾	−0¾	14.33
Fin. for Ind. 14½ 88 £	20	99½	100½	0	+0½	14.45
Fin. for Ind. 13¾ 87 £	20	97¾	98¼	0	0	14.15
Gen. Elec. Co. 12½ 89 £	50	83¾	84¾	−0½	−0½	13.84
Peugeot SA 14 90 £	23	94½	95	−0½	−0¾	15.04
Rothschild 14¾ 90 £	12	97½	98¾	0	0	14.66
Royal Trustco 14 86 £	12	98½	99¾	−0½	−0¾	14.27
Swed. Ex. Cr. 13¾ 86 £	28	98¼	98¾	−0¾	−1½	14.18
Banobras 8½ 90 KD	7	†91½	92	0	+2	9.66
CCCE 8½ 91 KD	10	†82½	83	0	0	11.07
Sonatrach 8½ 90 KD	12	†94	94½	0	+2	9.48
Akzo 9¾ 87 LuxFr	500	83	84	+0¾	−3½	13.12
Euratom 9¾ 88 LuxFr	500	85¾	86¾	−0¾	−5¾	13.02
Eurofima 10½ 87 LuxFr	500	87¾	88½	0	−7¾	13.32
EIB 9¾ 88 LuxFr	600	85¾	86½	−0¾	−5¾	12.95
Volvo 9¾ 87 LuxFr	500	85	86	0	−3½	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¾ 87	0¾	99½	100	2/7	16¾	16.87
Bank of Montreal 5¾ 90	0¾	99¾	100¼	18/8	19½	19.60
Bank of Tokyo 5¾ 89	‡0¾	98¾	99¼	25/4	19.31	19.48
BBL Int 5 86	0¾	99¾	99⅞	20/5	16½	16.58
Bergen Bk. A/S 6 89	‡0¾	†98¾	99¼	29/5	17¾	17.32
BNP 5½ 88	‡0¾	99¾	99⅞	29/4	18.69	18.76
CNT 5¾ 86	§0¾	99¾	99⅞	16/4	13½	13.30
Christiania Bk. 5½ 91	‡0¾	97¾	98¼	5/5	17¾	18.14
Citicorp O/S F. 84	‡0	99	99½	30/4	15.44	15.55
C. Itoh 5¾ 87	0¾	99¾	99¾	18/8	15.44	15.52
Co-operative Bk. 6 88	0¾	97¾	98½	15/5	15¾	15.56
Den Norske Credit 6 90	‡0¾	98¾	98¾	5/5	17¾	18.02
Genfinance 5¾ 87	0¾	99¾	99¾	30/4	15¾	15.22
Giro und Bank 5¾ 91	‡0¾	97¾	98¼	23/6	14.06	14.35
GZB 5½ 89	‡0¾	98¾	99¼	1/5	17¾	18.08
Ind. Bank Japan 5¾ 87	0¾	99¾	99¾	15/4	13.31	13.40
Ind. Bank Japan 5¾ 88	0¾	98¾	99¼	9/4	13¾	13.26
Lloyds Eurofin 8 90 £	0¾	97	97½	3/7	14½	14.81
Lloyds Eurofin 5¾ 92	0¾	98¾	99¼	4/6	17¾	17.45
LTCB Japan 5¾ 88	0¾	100¾	100¾	13/6	20.19	20.11
Man. Hanov. O/S 5¾ 94	‡0¾	98½	99	30/5	17	17.22
Midland Intl. Fin. 5¾ 92	0¾	98¾	99¾	5/6	17.19	17.34
Nacional Fin. 6¾ 88	0¾	99½	100	25/7	17¾	17.79
Nacional Fin. 5½ 88	0¾	98¾	98¾	25/9	14¾	15.12
Nat. Bk. Canada 5¾ 88	0¾	98¾	98¾	24/9	5½	5.34
Nat. West. 5¾ 94	‡0¾	97¾	98½	14/4	13¾	13.50
Nat. West. 5¾ 92	§0¾	97¾	98¼	23/4	13.69	13.95
Nippon Credit 5¾ 87	‡0¾	99¾	99⅞	6/6	17.44	17.50
Sparebanken 6 87	0¾	99¾	100¼	19/8	19½	19.90
Standard Chart. 5¾ 90	0¾	99¾	100¼	3/9	17.06	17.08
Svenska Hndlsbk. 5 87	0¾	99½	100	15/7	17.81	17.86

Average price changes... On day −0¾ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98¾	99¾	+0¾	20.60
Canon 6¾ 95	1/81	829	124¾	125¾	−1¾	−0.51
Credit Suisse 4¾ 93	10/79	1278	97	99	+0¾	3.15
Digicon Fin. 8½ 95	10/81	29.5	107¾	108¾	+0¾	2.77
Ina Overseas 8¾ 2000	4/81	42	106¾	107¾	+0¾	4.20
Inchcape Ltd. 8 95	2/81	4.55	96¾	97¾	−0¾	2.45
Jacca 7½ 95	11/80	565	133¾	134¾	−0¾	16.60
Kotobukiya Co. 7 96	4/81	819	100½	101½	−1	−3.16
Marion Int. Fin. 9.95	12/80	15.6	88¾	89¾	−0¾	17.57
Matsushita El. 7½ 95	11/80	590	114¾	115¾	−5¾	−6.05
MEPC 8½ 95	2/81	2.47	101½	103	−0¾	7.72
Niigata Eng. 7½ 98	1/81	327	107¾	108¾	−1¾	8.77
Nissho-Iwai Co. 8 96	10/80	398	86¾	88¾	−1¾	6.88
Ricoh 6½ 95	8/80	604	120¾	121¾	−7¾	−2.28
Sumitomo M. Ind. 7 95	2/81	181	123¾	124¾	0	2.78
Swiss Bk. Cpn. 6¾ 90	9/80	200	82¾	84¾	0	12.57
Taylor Woodrow 8½ 90	1/81	4.94	109	109¾	+0¾	1.86
Tokyu Land Cpn. 7½ 96	4/81	326	97¾	98¾	+0¾	2.29
Transco Int. 8¾ 95	2/81	68	90	91	0	37.12
Tricorp 8½ 95	12/80	31.25	91¾	93	+1¾	8.93
Union Bk. Switz. 5 89	2/80	121.4	81¾	83¼	−0¾	−13.35
Fujitsu 5 84 DM	7/78	431.5	151¾	152¾	−1¾	−4.27
Sharp Cpn. 6½ 88 DM	9/80	595	159¾	160¾	+0¾	−1.37
Uny Co. 6¾ 85 DM	11/79	879.3	103¾	104¾	−0¾	3.62

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,414.8	3,699.9
Previous week	1,516.8	4,161.9
Other bonds		
Last week	471.7	459.9
Previous week	590.2	584.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on April 3

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	Apr. 3	Apr 2	April 1	Mar. 31	Mar. 30	Mar. 27	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	1007.11	1009.1	1014.14	1003.87	992.16	994.78	1016.22 (25/3)	931.57 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	61.59	61.52	62.04	61.99	61.87	61.85	65.78 (15/1)	61.59 (3/4)	—	—
Transport.	438.71	440.35	439.08	437.62	430.66	430.19	440.35 (2/4)	379.19 (20/2)	440.35 (2/4/81)	12.23 (8/7/32)
Utilities	109.46	110.05	109.79	109.02	107.82	107.56	117.81 (6/1)	105.41 (25/2)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	48,680	52,570	54,380	50,880	33,500	46,930	—	—	—	—

●Day's high 1017.02 low 1000.72

Ind. div. yield %	Mar. 27	Mar. 20	Mar. 13	Year ago (approx
	5.57	5.58	5.66	6.70

STANDARD AND POORS

	Apr 3	Apr. 2	April 1	Mar. 31	Mar. 30	Mar. 27	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	156.56	154.64	154.86	154.19	152.22	152.75	157.02 (6/1)	145.75 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	136.49	136.32	136.57	136.80	134.28	134.65	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	Apr. 1	Mar. 25	Mar. 18	Year ago (approx
Ind. div. yield %	4.47	4.44	4.54	5.76
Ind. P/E Ratio	9.64	9.58	9.45	7.19
Long Gov. Bond Yield	12.46	12.63	11.91	12.24

N.Y.S.E. ALL COMMON

Apr. 3	Apr. 2	Apr. 1	Mar. 31	1981 High	1981 Low
78.14	78.57	78.62	78.27	79.14 (6/1)	72.45 (20/2)

Rises and Falls	Apr. 3	Apr. 2	Apr. 1
Issues Traded	1,890	1,916	1,921
Rises	631	760	929
Falls	886	763	613
Unchanged	373	393	379
New Highs	—	132	152
New Lows	—	6	7

MONTREAL

	Apr. 3	Apr. 2	Apr. 1	Mar. 31	1981 High	1981 Low
Industrials	399.06	399.26	394.82	396.50	399.26 (2/4)	358.28 (20/2)
Combined	375.01	375.66	370.64	364.78	375.66 (2/4)	355.54 (20/2)
TORONTO Composite	2374.2	2375.2	2365.9	2365.1	2375.2 (2/4)	2151.4 (20/2)

	Apr. 3	Apr. 2	Apr. 1	Mar. 31	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	729.1	715.0	707.8	708.0	729.1 (3/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	644.3	624.5	622.0	625.1	756.2 (7/1)	564.3 (6/3)
AUSTRIA						
Credit Aktien (2/1/62)	62.46	62.35	62.36	62.72	66.43 (5/1)	62.35 (2/4)
BELGIUM						
Belgian SE (31/12/63)	92.92	92.70	92.18	92.16	96.15 (17/2)	92.16 (31/3)
DENMARK						
Copenhagen SE (1/1/73)	109.25	102.08	108.97	108.57	109.25 (3/4)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	109.70	110.0	111.1	111.5	112.5 (17/3)	103.1 (23/1)
Ind Tendance (31/12/80)	101.40	101.8	105.2	105.7	106.8 (13/3)	95.4 (27/1)
GERMANY						
FAZ-Aktien (31/12/58)	229.07	227.96	226.81	222.76	229.07 (3/4)	216.88 (9/2)
Commerzbank(Dec.1953	706.40	702.7	695.7	687.1	706.4 (3/4)	666.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	90.8	89.8	89.8	88.5	90.5 (26/2)	86.7 (2/1)
ANP-CBS Indust. (1970)	68.8	68.8	68.3	67.7	68.8 (2/4)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1499.06	1408.85	1387.76	1368.65	1868.82 (4/2)	1285.44 (11/3)
ITALY						
Banca Comm. Ital (1972)	252.86	252.25	249.79	246.51	252.86 (3/4)	175.86 (6/1)
JAPAN						
Dow Average (16/5/49)	7421.19	7416.97	7389.99	7384.51	7421.19 (3/4)	6856.52 (13/3)
Tokyo New SE (4/1/68)	538.15	538.85	535.82	530.17	538.85 (2/4)	495.79 (5/1)
NORWAY						
Oslo SE (1/1/72)	118.68	118.32	118.31	119.58	124.16 (3/3)	118.22 (18/2)
SINGAPORE						
Straits Times (1966)	834.12	827.22	833.26	823.87	854.12 (3/4)	669.52 (2/1)
SOUTH AFRICA						
Gold (1958)	685.7	(u)	642.5	642.1	787.5 (7/1)	561.3 (3/3)
Industrial (1958)	622.4	(u)	628.8	620.7	622.4 (3/4)	537.2 (3/2)
SPAIN						
Madrid SE (30/12/80)	111.83	112.13	112.86	112.94	114.26 (17/2)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	480.4	483.59	487.95	490.32	495.61 (26/3)	404.17 (20/1)
SWITZERLAND						
Swiss BankCpn.(31/12/58)	304.2	304.2	302.3	298.1	304.2 (2/4)	287.0 (18/2)
WORLD						
Capital Intl. (1/1/70)	—	160.5	160.2	159.2	162.8 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed.

NEW YORK ACTIVE STOCKS

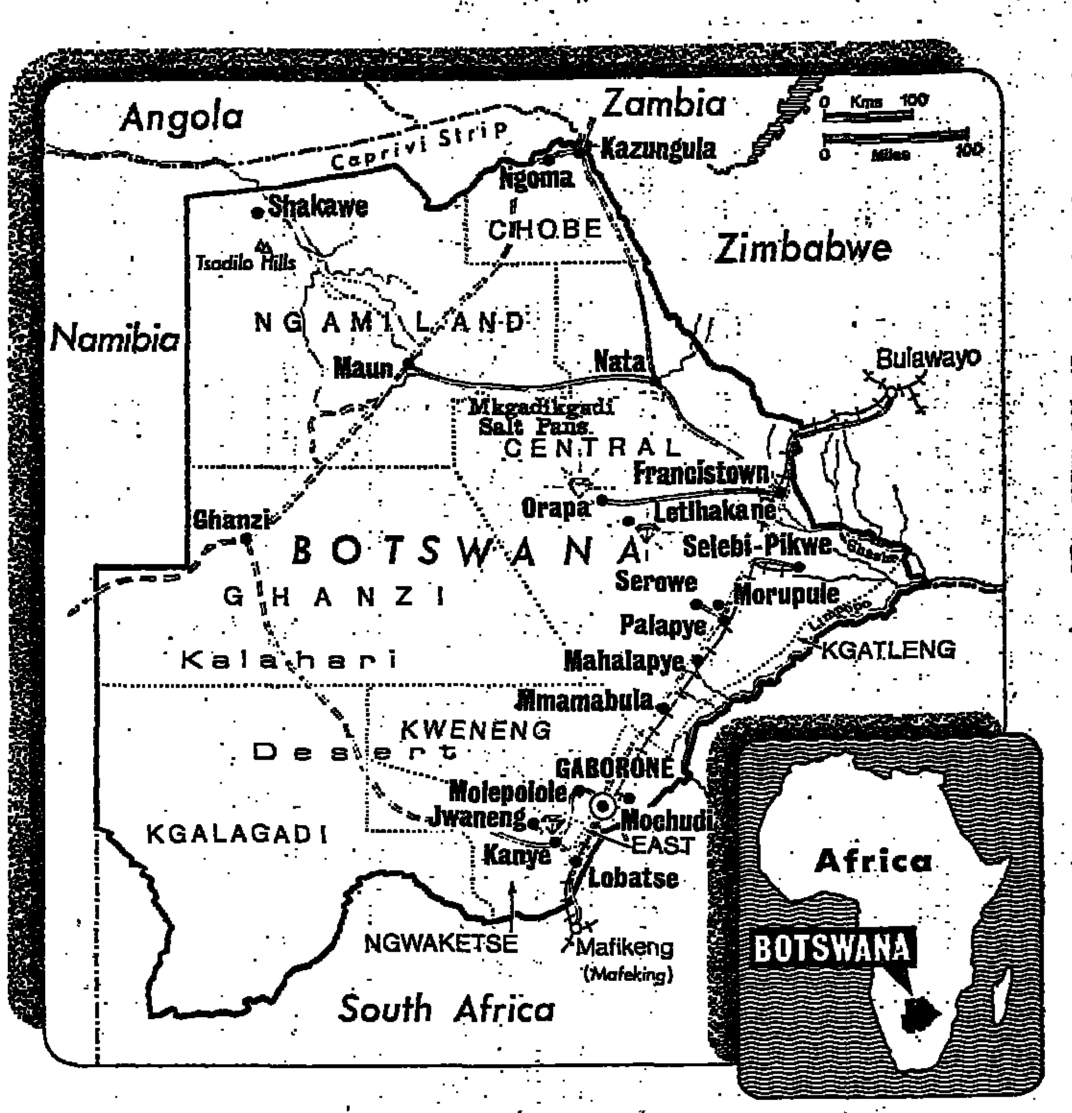
Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Amer. Airlines	795,300	15¾	+ ⅞	Dow Chemical	616,700	36⅝	−1½
Black & Decker	684,700	18½	− ½	Sears Roebuck	596,300	19⅝	− ¼
St. Joe Minerals	669,800	54⅝	−1⅛	Cities SVC	548,300	44½	− ⅜
Amer. Cyanamid	642,500	34⅝	+ ⅞	Engelhard	468,600	44⅝	+ ⅜
IBM	620,800	61	−1⅛	Fluor	411,100	44⅝	−1⅝

FINANCIAL TIMES SURVEY

Monday April 6 1981

BOTSWANA

Closely linked to South Africa in economic terms but a black African State politically, Botswana has achieved a remarkable degree of progress in one of the continent's more turbulent areas. Diamonds have played a major part in this, but there is much else to favour development.



African oasis of success

By Quentin Peel

Southern Africa Correspondent

BOTSWANA is one of Africa's rare success stories. After almost fifteen years of independence it can boast a stable multi-party democracy, a rapidly increasing Gross Domestic Product (GDP), rising living standards, a strong currency, healthy foreign exchange reserves and relaxed race relations. Last year, after the death of Sir Seretse Khama, the country's first President, his deputy, Dr. Quett Masire, succeeded him in a straightforward and unruffled operation.

Progress has taken place despite Botswana's position at the heart of one of the most politically explosive areas of the continent, where it is literally a frontline State bordering white-ruled South Africa and Namibia (South West Africa) and newly independent Zimbabwe. In economic terms Botswana belongs within the orbit of Pretoria but politically it is committed to black Africa. Somehow it has to find a middle way between those opposing forces.

Botswana emerged remarkably unscathed from the seven-year war in neighbouring Zimbabwe. There was a period when tension on the border was serious, heightened by a flow of several hundred refugees a week and culminating in the killing of 15 Botswana soldiers in an ambush. But despite the pressures to become more involved, the only tangible result was the establishment of the small Botswana Defence Force. The war did not distract the country from its development struggle.

Since independence Botswana has succeeded, through a mixture of luck and good management, in breaking away from being a totally agrarian, cattle-based and drought-prone economy, heavily dependent on the earnings of migrant labourers in neighbouring South Africa. Instead, it now enjoys a mineral-financed prosperity, with greatly improved social and physical infrastructure, health services and education for its thinly spread population.

The discovery of diamonds is the key to Botswana's escape from impoverished obscurity to its present international popularity. Now producing more than 5m carats a year worth some P224m (£130m)—an output due to double to some 10m carats or more by 1986 with the opening of a new mine—Botswana can boast a per capita GDP of more than $600 and the rather mixed blessing of having been struck off its list of "least developed countries" by the World Bank.

But those rosy statistics nevertheless disguise the very real and possibly intractable problems Botswana faces this decade. Despite the diamonds, the great majority of its 850,000 *people remain locked in an* impoverished rural society, while a small and mostly urban minority enjoy the fruits of affluence. The urban centres, as elsewhere in Africa, act as magnets to the unemployed and underemployed from the countryside but cannot provide enough jobs. It is the task of tackling that problem which is set out in Botswana's latest *National Development Plan*—a twin strategy for job creation and rural development.

GUIDE TO TERMS

The people of Botswana are called the Batswana. An individual citizen is called a Motswana. The language of the country is Setswana. The unit of currency is the pula, a word meaning "rain" and also the national motto.

"People think every Motswana is affluent," says President Masire. "It is a very deceptive situation. A lot of money has poured in to develop these mines. A lot of money is kept in the banks. It gives a false sense of abundance.

"In spite of all the effort the Government makes to see that what comes out of the mines is ploughed into development in the areas, we really are still a poor country, in terms of the individual Motswana."

As Vice-President and Minister of Finance since independence until he succeeded Sir Seretse last year, Dr. Masire has been more intimately concerned in the economic development of the *country than any other member* of the Government—and is acutely aware of the underlying problems. He was very much the architect of the country's cautious and conservative budgetary policy, a development strategy which has always been pushed only as far as there were *people to implement it*, and notable for a refusal to embark on prestige projects. The country's capital, Gaborone, is itself a model of modest planning.

"We have so many priorities and so few people to meet them," he told the Financial Times in an interview. "We are very thin on the ground." But while the number of skilled workers is tiny there is an army of unskilled looking for work.

The scale of Botswana's employment problem is clearly set out in the development plan. *With a population growth rate* of at least 3 per cent (the latest census may well show it to be higher) the work force will rise by some 87,000 to 515,000 between 1979 and 1985. At the same time the number of migrant workers finding employment in South Africa is expected to fall. Recruitment for the South African mines had already fallen from 40,000 in 1976 to less than 20,000 by 1979.

Finally, the expansion of education has meant increasing numbers of pupils leaving school with much higher job expectations than their parents. "How do you expect to give a kid seven years' schooling and then keep him on the farm?" is how one top official put it.

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But the formal sector simply cannot create that many jobs. Government *service is no longer* growing as swiftly as it did in the early post-independence years. Mining, especially of diamonds, is capital-intensive. It accounts for some 23 per cent of GDP and only 8 per cent of employment. As for industrial investment, little has been attracted, despite the mining development. As explained elsewhere in this survey, Botswana's infrastructure is too expensive, its skilled labour too scarce and its market too small to compete successfully with alternative venues such as South Africa and *Zimbabwe*.

The only answer, therefore, is to find jobs back in agriculture. But even there prospects are limited. Cattle ranching, the major occupation of the Batswana—their cattle outnumber humans by four to one —is being increasingly concentrated in the hands of a few rich farmers as it becomes a commercial operation. Their employment needs are few. So, in a country whose territory is two-thirds semi-desert and the climate arid and erratic the only prospect for large-scale employment appears to be arable agriculture. "With a climate like this, arable farming is the *worst possible alternative*," as one senior diplomat said. "But it is the only one available."

Stabilise

Even if the Government's Arable Land Development Pro*gramme (ALDEP) is moder*ately successful, it can only hope to stabilise the drift to the towns. Here again there are already signs of growing urban unemployment, especially among the newly educated young. In Gaborone's central shopping mall, the number of youths loafing around during the day without any obvious occupation is a recent phenomenon—although for a while it was the prerogative of young refugees from South Africa's Soweto township until they were shipped out to a village in the north.

The problem is potentially serious and worrying to *Botswana's leaders but not* yet critical. Grievances have not reached a point where they have significantly boosted support for the country's opposition parties, such as the Socialist-orientated Botswana National Front (BNF). Indeed, at the last election in 1979, before Sir Seretse's death, his ruling Botswana Democratic Party (BDP) actually increased its overwhelming majority, capturing two opposition seats to win 29 out of the 32 seats in Parliament. Dr. Kenneth Koma, Left-wing leader of the BNF, failed to win the Gaborone constituency despite expected support from disaffected town-dwellers.

Dr. Masire now has to consolidate his own position as Sir Seretse's successor. As the former President's co-founder of the BDP, and the architect of his policies, he was the obvious and unrivalled choice. But he *does not belong to the largest* tribe, the Bamangwato, who make up 36 per cent of the population, but to one of the smaller groups, the Bangwaketse.

So far there is no apparent sign of disaffection. But in the longer term some observers wonder about the ambitions of Brigadier Ian Khama, aged 28, Sir Seretse's eldest son, who is paramount chief of the Bamangwato and Deputy Commander of the Botswana Defence Force. If he does have his eye on the Presidency, he will still be expected to serve his political apprenticeship.

CONTINUED ON NEXT PAGE

Lurking problem of unemployment

ECONOMY

MICHAEL HOLMAN
Central Africa Correspondent

WHEN ANY Minister of Finance describes a 27 per cent increase in real Gross Domestic Product (GDP) as "satisfactory," he is either a master of understatement or a decimal point is missing.

In the case of Botswana it is the former. When Mr. Peter Mmusi presented his Budget last February he told Parliament of a rise in GDP in 1978-9 from P345m the previous year to P502m (£290m). The GDP increase in 1979-80 will have been around 12 per cent and average real growth for the first half of this decade is expected to be 10 per cent.

The situation is in stark contrast not only to the gloomy economic reports issued by almost every black African country but also to the future that Botswana appeared to face at independence in 1966.

It relied on British funds to make up recurrent deficits in the Budget and faced what seemed to be the prospect of a cattle-dependent economy battered by sporadic drought, with many of its young men working in South African mines.

The discovery and exploitation of diamonds dramatically changed that. Today Botswana is almost embarrassed by statistics which, if taken on their own, would hide the fact that it remains a poor country. The gap between rich and poor is considerable, and widening, and the Government faces the formidable challenge of successfully ploughing back mineral income into the rural sector, home of 80 per cent of its 850,000 people.

The GDP increase for 1978-1979 is in itself somewhat misleading. It reflects the opening of Lethlakane and the expansion of Orapa mine, home of the world's second largest known diamond pipe. Yet another bonanza is in the offing which will again boost GDP—Jwaneng, 80 miles west of Gaborone, begins production early next year.

Revenue

By the end of 1980 annual output reached 5m carats, worth P224m, accounting for nearly 61 per cent of exports and providing about a third of Government revenue. Shipments of nickel-copper matte, up in value from P61m in 1979 to P81m in 1980, represented nearly 21 per cent of exports. By contrast, beef shipments, valued at P30m in 1980, against P65m in 1979, and making 9 per cent of exports, fell as a result of the outbreak of foot-and-mouth disease in February that year which reduced the number of cattle slaughtered by the Botswana Meat Commission and cut off the lucrative EEC market.

It is mainly diamonds, then, which boosted foreign exchange reserves to a record P282m in mid-1980—equal to more than six months' imports—and gave Botswana a balance of payments surplus last year of P72m (1979—P96m). The debt service ratio is just over 1 per cent and the pula—launched in 1976, breaking away from the South African rand—has been revalued no fewer than three times. "Botswana is the country economists from the IMF's Africa desk come to for a holiday" is how one diplomat summarised the current state of affairs.

Mr. Mmusi has forecast, however, that the combined effects of a rising import bill—85 per cent from South Africa—and "relatively stagnant" exports will see reserves reduced to four months' imports cover by the end of this year. The Government also has to cope with an inflation rate which at around 16 per cent is running a little behind that of South Africa and which, apart from the revaluations of the pula, is effectively beyond Botswana's control.

At the same time continued rapid growth in Government spending and parastatal borrowing will see an overall 1981 Budget deficit of P60m compared to surpluses in the three preceding years. Fortunately this fiscally conservative Government is able to draw on a combination of the Revenue Stabilisation Funds, the Public Debt Service Fund and the Revenue Stabilisation Fund: half the deficit will be financed by reducing cash balances.

Clearly the short-term handling of the economy has presented few problems thanks to diamonds. But Botswana has now, in Mr. Mmusi's words, moved into the third and most demanding stage of the country's post-independence development. The first ended when Botswana was able to meet the recurrent budget from its own revenues and without recourse to London.

In the phase that followed Botswana remained heavily dependent on donor funds for most of its development projects. But in the third and current phase, the Government is financing a larger proportion—about 30 per cent rising to perhaps 50 per cent by the mid-eighties—of its development spending. It means a changed role and in particular greater responsibility for the assessment and supervision of projects despite the serious shortage of skilled manpower—which is itself one of the major development constraints.

Approach

The Government's approach is set out in the National Development Plan for the six-year period 1979-85 and published last year. Employment creation and rural development are the themes underlying proposals to raise agricultural production and improve living standards in the countryside in an effort to resolve an all-too-familiar African problem: a growing army of youthful unemployed, their expectations raised by a level of post-independence education usually denied their parents.

The main theme of development since independence — quite rightly in the view of most economists—has been on projects such as schools, clinics and hospitals, road and social services.

There must now, however, be a shift in strategy. As the Plan points out, "improving the lives of Botswana's poor will largely depend on achieving increased productivity in the rural economy." But as the President, Dr. Quett Masire, told the Financial Times, when it came to building a road, for example, it was simply a matter of hiring a contractor. "Now when we come to rural development we find that it is skill-intensive. You need planning in minute detail because every community has its own characteristics."

Yet as the articles on agriculture elsewhere in this survey show, the sector is highly vulnerable to Botswana's unreliable rainfall. The main target group of the Arable Lands Development Programme—the 60-70,000 farmers who tend less than ten hectares — will require a substantial input of skills and equipment for only limited returns.

The question for the next decade, then, is whether Botswana can overcome the serious shortage of skills, the land and climatic disadvantages and productively invest mineral revenue in the countryside fast enough to absorb a growing pool of work seekers.

There is already a serious employment problem, exacerbated by the fall in recruitment to South African mines from its peak of 40,000 in 1976 to 19,500 in 1979.

A 1978 study by Professor Michael Lipton calculated that in that year Botswana provided work for at the most 208,000 people out of a workforce of about 376,000. "To fill the gap of 166,000, Botswana needs 16-17,000 sufficiently attractive working opportunities — either as jobs or self-employment — every year for the next ten years."

Target

On top of this, Professor Lipton noted, the labour force will grow by some 17-19,000 a year, mainly the effect of population increase and returning migrants from South Africa. The target must be 35-36,000 working opportunities if full employment is to be reached by the end of the decade.

To fail, he warns, incurs the serious risk represented by unemployment alongside pockets of comparative affluence. "Access to productive work—and to the good things in life—remains desperately unequal."

Yet as the article on investment and industry in this survey indicates, there seems little prospect of substantial industrial expansion over the plan period. Would-be manufacturers face a host of disadvantages—the high cost of utilities and housing, an unrealistically high minimum wage, and high taxes. But above all they face competition from South Africa. It seems unlikely, moreover, that mining expansion can provide more than a few thousand new jobs.

As Mr. Stephen Lewis, economic consultant to the Government has pointed out in a forthcoming collection of essays on Botswana's economy, the Government has to be on its guard against some of the undesirable consequences of being a heavily mineral-dependent economy.

"An exchange rate dominated by the effects of a mining export produced at low average and marginal costs may make it possible to support a price of foreign exchange, or a value of the domestic currency, that makes it virtually impossible for other domestic activities to compete, either with imports or in export markets."

The combination, he writes, of rising money wages—a notable feature over the past few years—"without a corresponding increase in productivity, and a constant price of foreign exchange, will make it less and less likely that investment opportunities in the productive enterprise sectors of the economy will be profitable, or even cost-covering."

Later this year the Government, aware of these problems, is expected to produce a subsidy programme aimed at increasing jobs. At the end of the day the success of this programme and the rural development efforts will prove more important yardsticks of Botswana's performance than those healthy foreign reserves.

GDP BY SECTORS

(Current prices—Pm)

	1971-72	1974-75	1977-78	1978-79
Agriculture	33	61	72	78
Mining and quarrying	11	18	56	117
Manufacturing (incl. Botswana Meat Commission)	5	15	24	40
Electricity and water	1	7	10	12
Construction	10	20	17	21
Trade, hotels, restaurants	7	18	33	45
Transport, storage and communications	4	6	7	8
Banking, insurance, property	6	14	30	46
General government	12	25	52	74
Other	3	5	6	na
GDP at factor cost	92	189	307	441
Indirect taxes, net	11	18	40	61
GDP at market prices	103	207	347	502

Source: Central Statistics Office

BALANCE OF PAYMENTS

(Pm)

	1978	1979	1980*	1981†
Exports	185.0	360.4	429.4	400.0
Imports	−239.2	−360.2	−459.2	−560.0
TRADE BALANCE	−54.2	−0.2	−29.8	−160.0
Services (incl. dividends and remittances)	−50.6	−75.1	−92.3	−92.0
Transfer payments (incl. aid)	67.2	105.0	100.3	103.0
CURRENT ACCOUNT	−37.6	30.1	−21.8	−149.0
Capital account	70.5	70.5	106.0	149.0
Errors and omissions	0.1	−6.4	−12.4	—
OVERALL BALANCE	33.0	94.2	71.8	0.0

*Preliminary figures †Forecast

The planning objectives

BOTSWANA'S National Development Plan (NDP) for the period 1979-85 is its fifth full Plan since independence in 1966. The four main planning objectives are: rapid economic growth; social justice; economic independence; sustained development.

The twin themes of the NDP are employment creation and rural development. Total planned development expenditure (current prices) is P970m, with the main spending in works and communications (P313m), local government and land (P200m), agriculture (P113m), education (P104m), Botswana Defence Force (P72m) and health (P27m).

Gross Domestic Product is expected to grow in real terms at an average 10.1 per cent but with "very large" annual variations. Growth will be predominantly in the minerals sector and the strategy is to achieve rapid and large returns from intensive capital investment in mining to reinvest in other sectors. Formal employment is expected to grow at roughly 7 per cent, or some 10,000 jobs annually.

BASIC STATISTICS

Area: 704,000 sq km; 275,000 sq miles.

Population: 850,000

TRADE 1980 (est.)

Imports: P525m. **Exports:** P390m

Main trade partners: South Africa, UK, EEC, Zimbabwe

Trade with UK:
Imports from: 1979—£3.8m; 1980—£2.6m
Exports to: 1979—£26.3m; 1980—£4m

Note: Indirect trade with the UK is higher but not quantifiable. Botswana is a member of the Southern Africa customs union; over 80 per cent of its imports come from South Africa, some of which are of UK origin.

Currency: Pula, £=P1.741.

Oasis of success

CONTINUED FROM PREVIOUS PAGE

according to one senior official.

While internal politics present no immediate threat to Botswana's envied stability, the external position is less certain. If there is to be a growing confrontation between Black Africa and Pretoria, perhaps coming to a head over the future of Namibia, Botswana cannot avoid being caught in the middle.

Botswana's awareness of its vulnerability to political turmoil in neighbouring States, and in particular to sanctions being implemented against South Africa, has inspired three major investments which are likely to absorb a big slice of the country's available development finance. They are the creation of the Botswana Defence Force (P72m in the Plan period), the takeover of the railway line run by the National Railways of Zimbabwe (P80m) and the building of an international airport (P40m). Ministers defend them as regrettable, but essential, spending.

It is argued that the defence force, although it cannot hope to withstand South Africa's military machine, can help ensure that guerrillas do not roam freely through the country—thus inviting the danger of South African retaliation.

The Botswana Government has consistently said that it cannot afford to allow the country to be used as a guerrilla launching pad, just as it cannot afford to implement sanctions. Rather has Dr. Masire pursued the consistently pragmatic line of his predecessor, seeking to promote a negotiated compromise, rather than confrontation, in the region.

The new President will have to defend his record at a general election by 1984. He is a convinced defender of the democratic system, despite its rarity in Africa. "Even though I spend sleepless nights to make sure my Party wins all the seats next time, it is useful to have an opposition," he declares.

Perhaps it remains one of Botswana's greatest strengths that once every five years the Government has to face the electorate, and therefore remain responsive to their hopes and fears.

Publications

"An Economic Survey," Barclays Bank.
National Development Plan 1979-85, Ministry of Finance.
The Guide to Botswana, Alec Campbell.
A Guide to Investment, Ministry of Commerce and Industry.

Steering a middle course

FOREIGN RELATIONS

QUENTIN PEEL

"EVEYTHING WE import is from or through South Africa and everything we export is to or through South Africa. Sanctions against South Africa mean sanctions against Botswana." Thus Dr. Quett Masire, President of Botswana, summed up the one subject which dominates all others in his country's foreign affairs; relations with the country he describes as "our troublesome neighbour."

Botswana has never made any secret of the extreme distaste it has for the racially-based policies of white-ruled South Africa. Neither, on the other hand, does it seek to disguise its overwhelming economic dependence on that country. In 1979 some 87 per cent of Botswana's imports came from the area of the Southern African customs union, virtually all of it from South Africa.

Foreign investment in mining, manufacturing and tourism is dominated by South African companies. They also provide the major contractors building the infrastructure for Botswana's economic development. Remittances from Botswana working as migrant labourers in South Africa's mines and industry are a major constituent of rural incomes in Botswana, without which many more people would be forced to leave the land.

The theme of Botswana's foreign policy is how to maintain its fierce political independence within the constraints of those inextricable economic ties. "Our relations are just business relations," says Mr. Archie Mogwe, Botswana's Foreign Minister. "We are members of the same region, members of the same customs agreement. But it isn't as if we have to go picnicking together."

On the question of sanctions, Mr. Mogwe says: "We normally abstain. Supposing the oil weapon were successful—there wouldn't be any oil to share." Nevertheless, "We speak about the liberation of South Africa. But our greatest weapon is to try and persuade South Africa that it is a waste of human life to fight against a cause that will ultimately succeed."

Despite its vulnerability, Botswana has been one of the key black "front-line States" in southern Africa involved both in the settlement of the war in Zimbabwe, and now in attempts to resolve the long-running dispute between the UN, South Africa and the South West Africa People's Organisation (SWAPO) over the future of Namibia (South West Africa). The Botswana Government has also been the most active promoter, and chairman of the Southern African Development Co-ordinating Conference (SADCC), involving all the black States of southern Africa in attempts to promote co-operation and reduce their common dependence on the white-ruled south.

Realism

"Unfortunately, the South Africans deliberately want to misunderstand us," Mr. Mogwe told the Financial Times. "The SADCC is not competing with Mr. P. W. Botha's constellation of States. We are not stopping them developing the rural areas of South Africa. But it is a measure of our realism that we should try to develop equally, and not be wholly dependent on one source."

Despite its strong economic ties, Botswana is in a better position than many other southern African States to assert an independent political line. It has strong currency reserves, thanks to its diamond revenues, and an independent currency in the pula which has now been revalued three times against the South African rand.

During the Zimbabwe war Botswana also showed it had the stability to be relatively unaffected by the neighbouring turmoil. Although it had to absorb some 20,000 refugees, and withstand periodic raids by Rhodesian troops, none of the incidents was ever serious enough to threaten permanent disruption. Perhaps the most lasting effect was rather the creation of the small Botswana Defence Force, which is now likely to be a continuing drain on the national budget.

Refugees remain a problem for Botswana, although now there are only about 1,000 in the country, mostly from South Africa. In spite of its sympathies, the Government is adamant that none of the exiled South African liberation movements may use the country as a launching pad for guerrilla operations in South Africa. "We are not in a position to do so," Dr. Masire said. "It would simply give them a pretext for attacking us." Indeed, control of the exile movements is seen as one important reason for maintaining the strength and position of the Botswana Defence Force, rather than providing more than a token defence against South African aggression.

Botswana has traditionally played a disproportionate role in international relations, in relation to its size and population, thanks largely to the standing of Sir Seretse Khama, the late President. But so far there is no sign of any diminution of that role under his successor, Dr. Masire, although he is better known in banking corridors as the former Minister of Finance than in the offices of fellow Heads of State.

Both Dr. Masire and Mr. Mogwe are currently arguing for caution in international relations with South Africa and against any precipitate imposition of sanctions. They believe that Mr. P. W. Botha, the South African Prime Minister, should be given a chance to prove whether or not he is genuine in his promises of reform. Whether the rest of the African and international communities are prepared to be so patient is more doubtful but in any confrontation Botswana can hardly emerge unscathed.

Underground wealth holds out exciting promise

MINERALS

MICHAEL HOLMAN

"THE SITUATION is very, very encouraging, challenging, exciting and to a certain extent frightening, because we don't want to make a false step."

The speaker is Dr. Gaositwe Chiepe, Botswana's Minister of Mineral Resources talking about her country's exceptional mineral prospects.

An aeromagnetic survey published in 1978 — being followed up by ground work—showed potential for iron, manganese, asbestos, chrome and platinum in the southern region. Exploration is already taking place for base metals, chromite and uranium, while there are large areas of copper mineralisation in the west, smaller copper-nickel and copper-silver ore bodies elsewhere in addition to large brine deposits at Sua Pan rich in soda ash, potash and other minerals.

Oil is a long-range possibility, with three deep geological basins which may hold oil or gas. The Government is currently holding what Dr. Chiepe calls "serious negotiations" with Esso, discussing pre-feasability studies. "We both hope to have an agreement within a few months. But it's too soon to speculate about the size of possible discoveries."

Botswana's potential is far from fully revealed. Apart from the huge area that has to be assessed, the deep layer of Kalahari sands which cover most of the country obscures the underlying geology. What is certain, however, are the massive proven reserves of coal which — diamonds apart — offer the greatest prospects of exploitation.

An estimated 17bn tonnes—some experts believe the figure could be considerably higher—is located in the east. Output of 10m tonnes a year is required to justify the building of a trans-Kalahari rail line to the West coast port of Walvis Bay but smaller quantities could be carried through the east coast ports of Richards Bay or Maputo if the existing north-south line could be linked to the South African railhead of Ellisras.

Substantial

Current coal output at 350,000 tonnes a year from Morupule is negligible by comparison, but west of Mmamabule are three substantial deposits. Shell Coal has presented a pre-feasibility study for a large mine in the Morupule area and simultaneously applied for a mining lease. "We have just begun to talk," says Dr. Chiepe, "but we are aiming at a large mine in production in the mid to late 80s." Shell, BP and Charbonniers de France have all applied for prospecting rights at Mmamabule.

Meanwhile, the Government has decided to build a new coal-fired power station at Morupule. Feasibility and preliminary engineering studies are almost complete and funding discussions have been held with the World Bank.

During the course of 1981, says Dr. Chiepe, the Government will put together a P200m-plus package to meet the costs a 90 MW capacity, and transmission lines to the major centres—Gaborone, Selibi Pikwe and Francistown. This should be completed by 1986, and if the economy grows at the forecast rate the station will be expanded to 180 MW at the end of the decade.

But to meet demands before 1986 the Selibi Pikwe power station will be expanded (which will also benefit the Orapa diamond mine).

MINERAL PRODUCTION
(P000s est.)

	Coal	Copper-Nickel	Diamonds	Index of mining production
1973	130	—	23,229	40
1974	310	7,857	30,135	57
1975	641	22,185	29,583	70
1976	1,719	51,586	33,829	100
1977	2,170	43,690	48,567	104
1978	2,322	51,315	78,972	123
1979	2,696	74,068	163,676	147
1980	4,054	83,258	223,623	161

Source: Department of Mineral Resources

Understandably there is increasing international interest in Botswana's resources, and De Beers, Falconbridge, U.S. Steel and Union Carbide are among the companies currently exploring. The interest is accompanied by calls for clarification of Government's policy, set out in the Minerals Act. In response the Government is preparing what has been termed a White Paper but will in fact be an explanation rather than reformulation.

"We are in the business of mineral development, and we want that message understood by industry," declares Dr. Chiepe. The forthcoming paper will "describe laws, attitudes, procedures and incentives," and later this year the Government will bring out legislation covering the petroleum industry—not hitherto specifically mentioned in the existing Act.

One complaint from companies is that the Act does not provide an automatic right to exploit minerals discovered. Dr. Chiepe argues that in practice this is how it would turn out: "If we encourage someone to find minerals, I as Minister would have to have good reason not to let him develop his discovery. Perhaps the law does not go far enough . . . but nonetheless the protection is there."

She adds that there is further protection in the provision which states that a company cannot apply for a mining lease unless it already holds a prospecting licence over the land in question. What the Government will not do, she declares, is negotiate mining terms at the same time as it grants a prospecting licence. There are too many unknowns at this stage, the Minister argues, and "one cannot negotiate anything."

The one chastening experience for potential mine operators in Botswana is the story of the copper nickel mine at Selibi Pikwe. Initial problems caused by technical difficulties and serious financial problems seem to be over and production last year of copper-nickel matte was 40,000 tonnes, slightly above output in the preceding two years despite a six-week shutdown when the smelter was overhauled. The second round, held in 1980, of financial restructuring of the mine—in which the U.S. firm AMAX and Anglo-American have equal interests—appears to be working well, though the company is still a long way from making a profit.

Dr. Chiepe's responsibility also includes what is among the country's most serious constraints on development—water. The Department of Geological Survey has long been compiling information on groundwater potential and aquifer systems. But sufficient water has been located for the Morupule power station and on another level the Government aims to provide every big and intermediate village with water within 400 metres.

Sparkling performers in the economy

DIAMONDS

QUENTIN PEEL

A GLEAMING new tar road strikes an incongruous note in the dusty Botswana bush on the edge of the Kalahari Desert. A few of the ubiquitous cattle gaze curiously at the occasional passing lorry, and a family of baboons scatters at the roadside.

The road is the most tangible result to date, for the ordinary people of Botswana, of the country's newest diamond discovery, Jwaneng. Where it ends in the semi-desert of the Kalahari fringes, 80 miles west of the capital, Gaborone, there is a scene of much greater activity. In a huge dusty bowl giant dumper trucks churn up the sand as they struggle with their 70-tonne loads up the sides of a man-made pit.

They are the front line of a massive effort to strip away some 8m tonnes of sand and rock from 120 acres of the desert and expose what is confidently expected to become Botswana's largest and most lucrative diamond mine.

On the surface, set back from the edge of the hole, an assortment of strange and complex scaffolding is rapidly taking on the shape of an ore treatment plant, capable of handling 900 tonnes of rock every hour when the diamond pipe is finally reached. Already the first stones are being recovered from drill samples of the pipe, sorted in a pilot treatment plant, and stockpiled for the commissioning of the mine early next year.

Jwaneng will be Botswana's third diamond mine, costing P283m ($360m), and by the time it is in full production in 1986 it should have doubled the country's diamond output from 5m to 10m carats a year.

The windfall of such diamond wealth was something no one, except perhaps a couple of dogged geologists, could have dreamed of at Botswana's independence 15 years ago. Just one year later, in 1967, those geologists finally discovered the diamond pipe they had been searching for, at Orapa, 250 miles north of Jwaneng, near the Makgadikgadi salt pans.

Orapa came into production in 1971, run by Debswana, a joint operation set up by De Beers, the South African diamond group, and the Botswana Government. It produced about 2.5m carats a year. By then another pipe — smaller, but *richer in gem diamonds*—had been found nearby at Letlhakane. By 1979, when the new mine was inaugurated by Sir Seretse Khama, the late President of Botswana, Orapa had been expanded to produce 4.5m carats a year, and Letlhakane was capable of 400,000 carats.

Phenomenal

The impact of diamonds on Botswana's economy — until they were discovered, the country was no more than an impoverished cattle range—has been phenomenal. Even before Jwaneng comes into production, diamonds constitute more than 61 per cent of export earnings, *selling* for P224m in 1980, and royalties and dividends from the mines provided P52m, or 26 per cent, of Government revenue, in 1979-80.

The joint operating company, Debswana, is now owned equally by De Beers and the Botswana government, each have half the seats on the board. That arrangement resulted from an occasionally acrimonious renegotiation of the original mining agreement in 1975, when *De Beers applied to go ahead* with Letlhakane and the Orapa expansion.

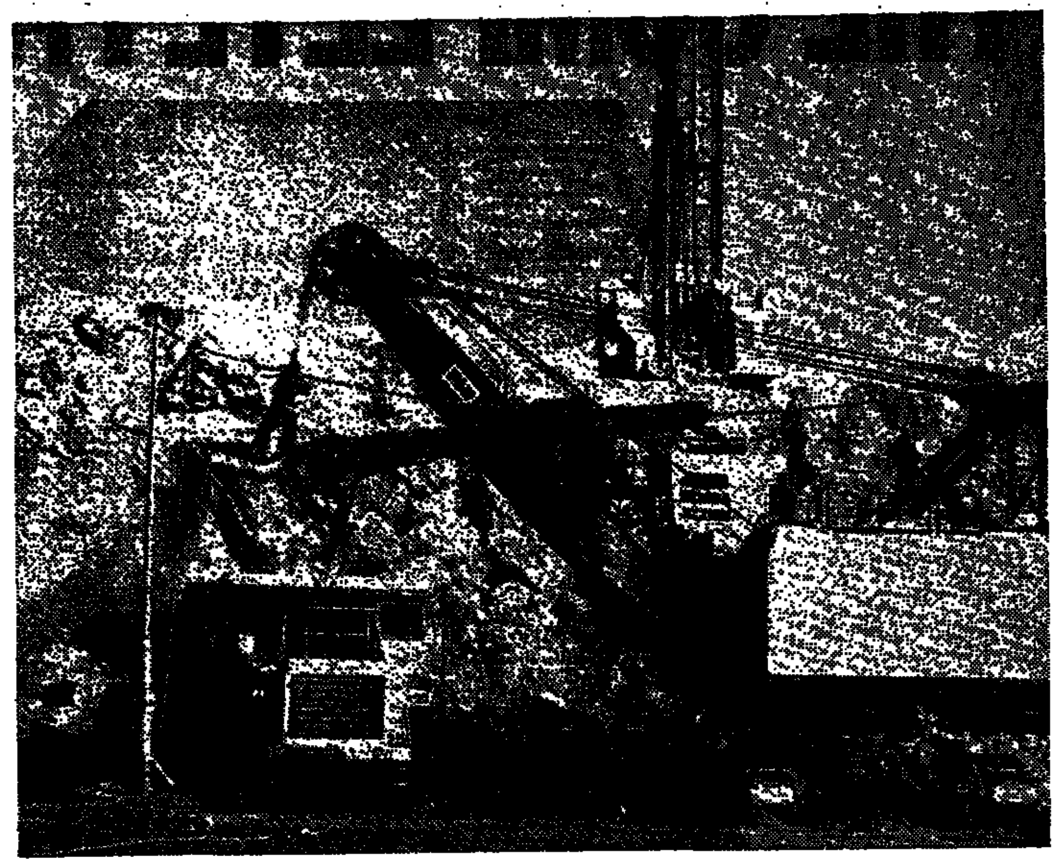
The Government increased its share in the company from 15 to 50 per cent, and through a combination of royalties, taxes and dividends, now receives at least 70 per cent of the profits. Since 1974 Debswana has also owned the Botswana Diamond Valuing Company, which carries out a preliminary sorting in Gaborone before the stones are sold to the Diamond Corporation in London, part of the De Beers diamond marketing monopoly.

Both sides now insist that relations are back to normal—indeed are thoroughly cordial. A smiling photograph of Mr. Harry Oppenheimer, the chairman of De Beers, with Dr. Gaositwe Chiepe, Minister of Mineral Resources, stands atop a bookshelf in the office of Mr. Charles Tibone, the Permanent Secretary in the Ministry.

"I believe our relations with the mining companies operating here are good, particularly so with De Beers," Dr. Chiepe told the Financial Times. "The proof of the pudding is that De Beers is investing P280m in the Jwaneng project."

Even now the future of diamonds in Botswana seems unlikely to end with Jwaneng. "Exploration for diamonds is intense, and new kimberlite pipes are being located, some of which may contain diamonds," Dr. Chiepe said. Falconbridge, the Canadian mining company, is closely evaluating a find in the Kalahari in south-west Botswana.

The problem there, as at Jwaneng, is likely to be the depth of overburden in the desert, and finding enough water. But so far the returns from Botswana's diamonds have been more than adequate to overcome any such problems.



Excavator and drilling rig at the Jwaneng diamond mine

Government recognises need to provide incentives

INVESTMENT

MICHAEL HOLMAN

AT FIRST sight it might seem incongruous that a stable, broadly capitalist African state with substantial currency reserves and a more liberal foreign exchange policy than South Africa should be struggling to attract foreign investment. Unfortunately for Botswana the problems currently outweigh such advantages—which also include close and friendly links between the Government and the private sector and helpful civil servants.

Both the would-be foreign investor and local industry face the same difficulties; expensive utilities, the high cost of housing and land in the capital, Gaborone, heavy taxation, acute shortage of local skilled manpower and a small domestic market. Above all there is formidable competition from South Africa and the South African "Homelands," which, like the fully independent States of Botswana, Lesotho and Swaziland, are also counted part of the Southern Africa Customs Union which allows duty-free traffic between member States.

While it may once have been argued that Botswana provided a "respectable" base from which companies could export to both the Republic and to Black Africa, that prospect fell away when Zimbabwe—with which there is a long-standing trade agreement—became independent a year ago. The would-be investor is now offered the alternative of a State with a well-developed commercial and industrial sector and cheap power.

Committed

Botswana's mining industry is of course an exception to generalisations about investment problems. The country's mineral potential is far from being realised and the Government is going to great pains to clarify the terms on which prospecting licenses and mining leases are issued.

But this sector, despite the likely development of coal fields at Moripule and eventually at Mmamabula, is not going to provide more than a small proportion of the 6,700 formal sector jobs the Government is committed to creating annually during the 1979-85 National Development Plan. Although the bulk of work opportunities must be found in the rural areas, the Government hopes to speed up industrial development.

The administration is well aware of the problems ahead and the need for a substantial investment and employment incentive policy. Two studies are currently under-way which should provide the basis. A Government committee is analysing possible subsidies, and Cooper and Lybrand have been commissioned to report on comparative incentives in the Southern African region.

Both reports will be available later this year, but some of the Government's thinking has already been disclosed in a working paper circulated within Ministries and the private sector. "We are now proposing to develop a clear and comprehensive policy on the question of Government subsidies to productive employment," declares the introduction to the paper.

From the start, however, subsidies for services—power and water—are ruled out, although this is not necessarily the final Government position. It also states that subsidies "should promote employment and production, not to subsidise the consumption of low income groups," which would appear to rule out consumer items such as food. But apart from these limits, a wide range of possibilities is under consideration, ranging from extra deduction of labour costs from taxable income to extending tax holidays.

But clearly the Government is concerned about where this may lead: "Once we begin a subsidy policy, we start down a slippery slope," comments the paper. Perhaps the most difficult issue is the high external value of the pula (thanks to diamonds and substantial foreign reserves), making import substitution industries less competitive, while for export industries (except beef, copper-nickel and diamonds) local costs are high by international standards.

Among the local institutions which will welcome a subsidy package are the National Development Bank (NDB) and the Botswana Development Corporation (BDC). The former has in the past concentrated on agricultural loans but is now also seeking commercial and industrial borrowers. The BDC is a Government-owned public company whose major investment is Kgalagadi breweries, in which the other partner is South Africa Breweries. Its interests include hotels, property development and air transport, but like NDB it is beginning to shift its emphasis to industrial development.

Relieved

The private banks—Barclays, which dominates the sector, and Standard—will also be relieved should the investment opportunities in industry and manufacturing improve. They are currently heavily underlent and the build-up of surplus liquidity continued throughout 1980.

The Minister of Finance, Mr. Peter Mmusi, acknowledges the problem and told Parliament in February that "Government is devising ways and means to put the surplus to productive use ... to improve financial intermediation, and to make domestic borrowing an attractive alternative for both the private sector and parastatals."

But until these and the subsidy proposals emerge it seems unlikely that the private sector will be prepared to come forward with its own plans.

Construction of the ore treatment plant at Jwaneng diamond mine

Research helping to improve farming

AGRICULTURE

MICHAEL HOLMAN

A FADED sign points the way off the gravel road running through southern scrubland to a research station playing a vital role in Botswana's efforts to raise agricultural output. The Integrated Farming Pilot Project at Pelotshetnla, funded under the British aid programme, was set up in 1976 to test systems of cultivation, livestock management, appropriate tools and other farming inputs.

Most of the county's 850,000 population depend on agriculture for at least part of their income but the vast majority do no better than scratch a meagre, barely subsistence living. Yields are low, crop failure is common during the droughts which regularly hit Botswana, and inevitably young people are moving off the land in increasing numbers to look for work in the towns.

Botswana, dominated by the arid Kalahari Desert, is far from ideal farming land and special techniques must be evolved to get the best from the soil under unfavourable conditions. At Pelotshethla various methods are tested within a participating community of some 140 farmers. Lessons learnt here can be put to wider use in the Government's major attempt to come to terms with the problems that the non-beef sector faces—the Arable Lands Development Programme (ALDEP).

The main ALDEP target is the country's 60-70,000 small farmers who plough less than 10 hectares. Nearly half arable farm households have no direct access to draft power and fewer than 10 per cent have row planters or cultivators.

One consequence is Botswana's inability to feed itself. Total production in the four main crops—maize, sorghum, millet and beans—fluctuates wildly in line with the rainfall. In 1979 total production was only 8,450 tonnes, but better weather saw it rise to 45,000 tonnes last year. This year the rains are remarkably good—50 per cent above normal—but nevertheless only half the estimated national consumption of 150,000 tonnes of cereals will be locally produced. The rest will come from South Africa.

Smallholders

If ALDEP can manage to raise arable production 4 to 6 per cent a year it will at least reduce the annual 30-40 per cent grain deficit and in the long run achieve self-sufficiency. The programme is therefore concentrating on smallholders and hopes to provide a package of facilities which will be made available to 2,000-3,000 farm households annually. The hope is that the ALDEP measures will not only ensure subsistence needs but a cash crop surplus worth about P200 from a 6-hectare unit.

If this can be achieved there is at least the possibility that increased production, accompanied by improvement of life in the rural areas will help stem the drift to the towns.

There are many elements to the ALDEP package. They include farm machinery—such as ploughs and planters which have been adapted after field tests to local conditions, seeds, fencing, improved credit facilities and a subsidy to encourage the use of donkeys as draft power.

The network of the Botswana Agricultural Marketing Board depots will be increased, and small lock-up stores will be introduced at which crops can be held for collection.

Perhaps the single most serious problem is water, and one scheme being encouraged at Pelotshetlha is the use of traditional threshing floors as catchment areas for rainwater, which runs off into small tanks. In the Kgatleng and Tutume districts some 50 farmers have benefited from a National Development Bank credit scheme for the purchase of farm implements, and the plan is to extend this to 400-500 by the end of 1981.

But as the National Development Plan points out, the most difficult area of choice for agricultural aid is not between small and large farmers, but between small and non-farmers—the substantial rural population which does not participate to any significant extent in agriculture because it lacks resources such as labour, draft power, cattle or land.

It is this group which will absorb a large proportion of the Ministry's resources for comparatively little return either in the form of output or employment.

On a different scale of policy-making, the Government can raise crop prices and consider subsidies for agricultural inputs. One difficulty here, however, is the fact that South Africa's powerful farming sector could produce food crops at below the Botswana price.

Ultimately, however, the test of ALDEP will be its capacity to raise living standards in the rural areas and thus keep people on the land. But there is fear that a well-intentioned and carefully thought out programme cannot be implemented fast enough to have much impact on the growing migration to urban areas.

EEC regulations play havoc with exports

CATTLE

MICHAEL HOLMAN

A SMALL delegation to the EEC returned last month with bad news for Botswana's cattle producers. Exports of beef to the lucrative European market, suspended since an outbreak of foot-and-mouth disease in February 1980, could not resume in April as had been hoped.

Although the country has been free of the disease since last September, the already complex and stringent EEC regulations became even more complicated when Greece joined the Community in February and new regulations were introduced affecting the slaughter of vaccinated and non-vaccinated beasts in the same abattoir.

Since Botswana has only one abattoir—at Lobatse—the result is that EEC shipments are unlikely to resume before June, while the main slaughter period is over by August.

As EEC prices are about 40 per cent higher in other main markets—currently South Africa and Angola—beef export earnings last year fell to P36m ($45.8m), about half the 1979 level. And because many areas were closed to the state-controlled Botswana Meat Commission (BMC), the number of cattle slaughtered dropped to 140,800, sharply down from 229,000 in 1979.

The BMC, which runs one of the largest and most modern abattoirs in Africa, cushioned farmers from the impact of the foot-and-mouth outbreak and increased prices to farmers by 10 per cent over December 1979 levels, drawing on its revenue stabilisation reserves to meet an after-tax loss of about P3m.

The Commission, a parastatal body and the largest manufacturer in the country, has made considerable progress in marketing what traditionally has been the mainstay of the country's economy. Although the value of beef exports is now a poor second to diamond revenue, Botswana's 3m cattle continue to be the mainstay of life in the countryside.

The capacity of the slaughter line at Lobatse was increased in 1977 to 1,400 head and the byproducts plant was expanded. The cannery is able to process 300 tonnes of corned beef a week and the BMC has a cold store in London with a 4,000 tonnes capacity which improves marketing in the important EEC market.

Expanded

The tannery has also been expanded to take 1,200 hides a day and the pet food cannery is almost complete. Development plans include a corned beef plant at Maun which will be able to handle 400 cattle a week, and a feasibility study for a northern abattoir just south of Francistown should be completed by July.

Among the most encouraging developments is the progress made in the battle against foot and mouth. In the last Development Plan more than P3m was spent on improving cordon fences, including the construction of a fence along the southern part of the Botswana-Zimbabwe border from Vakaranga to Tuli. And there are hopes that the end of the war in Zimbabwe will halt the decline in disease control across the border.

The success story in the industry is the output at the foot and mouth vaccine unit, established after the 1977 outbreak. Not only did the unit produce a more effective vaccine, it discovered an export market in the region. A second phase of the laboratory should be completed this year.

Despite the setback to renewed access to the EEC market, then, long-term prospects for beef are encouraging. The BMC expects to slaughter 220,000 cattle this year. But there is some concern both about the inequitable distribution of the national herd and the generally poor record of the Tribal Graing Land Policy (TGLP) designed to reduce this income gap and conserve rangeland.

A rural income distribution survey in 1974-5 found that half the cattle surveyed were owned by only 5 per cent of the households, and that 45 per cent of the rural households had no access to cattle. Although there is some dispute about just how accurate the figures are, there is agreement that the trend is towards larger and larger herds in the hands of a few hundred ranchers.

The TGLP, first formulated in 1975, was designed in part to protect the small cattle owners. Land was divided into three main categories — commercial, where individuals and groups could get private leasehold rights, communal land where grazing would be shared, and reserve land set aside for the future with the intention of accommodating the poorest group of cattle owners.

Things have not worked out as planned. Practically no land has been declared reserved. Many of the area zoned as commercial land already have boreholes—and therefore are in use as cattle land. This has meant that in practice there have been few opportunities for large cattle owners to move their herds out of communal areas and thus relieve overgrazing.

The conclusion of one official in the Ministry of Agriculture is that "there is a strong likelihood that the work of the TGLP will result in just the opposite of what is set out to do."

"Rather than have large herd owners move out of the overcrowded and heavily-grazed communal areas, the granting of exclusive rights will force small stock owners and non-stockholders back into communal areas, thus exacerbating the problems there."

The danger, he concludes is that rather than decrease the income gap between rich and poor, the TGLP could easily increase it."

CATTLE

	Slaughterings ('000)	Exports (f.o.b.) (Units of account)
1975	188	36.4
1976	212	43.0
1977	197	42.6
1978	149	28.6
1979	229	65.9
1980	141	30.6

Unit of account=South African rand. Pula=R1.0186.

Source: Statistical Bulletin, Ministry of Finance

BOTSWANA V

Our correspondents Quentin Peel and Michael Holman report below on an interview with the President, Dr. Quett Masire.

'So many priorities'


President Quett Masire

WHEN BOTSWANA's first President, Sir Seretse Khama, died last July there was little doubt as to his successor. Dr. Quett Masire had effectively been acting as his understudy since the early days of Botswana's nationalist movement, playing a key role during the steps towards independence.

As Secretary-General he had a major part in the Bechuanaland—later becoming Botswana—Democratic Party (BDP), founded in 1962, and served alongside Sir Seretse in the Bechuanaland Legislative Council. After the BDP landslide victory in the March, 1965 general election, Quett Masire—then only 39—was appointed Deputy Prime Minister. At independence the following year he was made Vice-President and Minister of Finance—posts he held throughout the Khama years.

But throughout this time Sir Seretse's poor health meant that a special degree of responsibility lay in the hands of his deputy, who enjoyed a reputation as one of Botswana's most capable politicians.

Nearly ten months after he came to office it is clear that Dr. Masire will pursue the pragmatic approach of his predecessor. In part it reflects his own judgment, but it also says something about Botswana's multi-party system and the nature of the ruling party itself: "Whatever policy prevailed under Sir Seretse," he told the Financial Times, "was not just his own individual philosophy, but the philosophy of his party. And as of now I cannot foresee any major political or economic change in our strategy."

There certainly can be no change, he argues, in the country's major foreign policy issue — relations with neighbouring South Africa. Botswana gets around 85 per cent of its imports, including oil, from there, he points out. "So sanctions against South Africa virtually means sanctions against Botswana" — hence Botswana's abstention in the recent UN vote on the issue.

"I'm dead certain that if there were sanctions, the South Africans would pass them on to us first. If there is anything in short supply, they will make sure it is neighbouring black States that talk too loud at the Organisation of African Unity and the UN that suffer the consequences."

There are currently about 1,000 refugees in Botswana, mainly from South Africa, but their activities are strictly circumscribed. "We have come out very clearly to both the OAU and the UN that we are not in a position to allow Botswana to be used as a launching pad. Those who are jealous of our independence would use this as a pre-text for attacking us.

"To start with not many countries understood, but now most, if not all, do appreciate our position. Gaborone has no formal diplomatic links with Pretoria but Botswana carries out what has come to be called 'telephone diplomacy.' When things happen we pick up a phone and ask Pretoria: 'What are you up to?'"

If Botswana has to live with what the President describes as a "troublesome neighbour" at least there is relief on one border. Zimbabwe's independence last year meant an end to border incursions and other problems: "The 20,000 refugees that were here have now gone home. And while the war was on we never knew whether we would wake up one day to find the railway (run by Rhodesia Railways) was not operative because things had gone berserk in Rhodesia."

Nevertheless, the Rhodesian war left a mark. The Botswana Defence Force was created as a response to the incursions. Today the force totals some 2,500 men, on which P56m will be spent over the 1979-85 Development Plan period—a not insignificant burden in a country with a population of only 850,000.

Dr. Masire argues that nearly double this will be spent on education—"I think this shows our priorities are right"—and much of the military spending is on the basic items required by a defence force, such as barracks: "It's not like the South Africans—we are not spending even more money on something that already exists."

The President does not underestimate the difficulties that lie ahead if the planned targets for rural development and job creation are to be reached. The land is generally arid and school-leavers are finding it increasingly difficult to find jobs in the towns.

"First of all we thought the biggest obstacle was finance, but we have come to a point where an even bigger constraint is manpower. Rural development is skill-intensive and we need more people to implement projects scattered all over the country.

"And we have a comparatively new phenomenon. In the past we only had under-employment. Somebody may not have owned cattle, but he would be looking after them. New we have people coming to Gaborone looking for jobs because they have no cattle of their own, while the man who does own cattle looks after them himself. Unemployment is becoming very pronounced, hence our concern about rural development and job creation."

It is also one reason behind Botswana's efforts to expand the industrial sector and encourage foreign investment. Foreign exchange regulations are liberal and the Government dnes not demand half the equity in joint ventures—"but we do insist on equal representation on the board of management."

Unfortunately, says Dr. Masire, "being a rather turbulent region, people are always visiting the iniquities of our neighbours upon us. We need to explain just where we are and what our future plans are. We have a team of consultants to help us see how we can improve our investment climate, and they will report later this year."

Dr. Masire admits that Botswana is a popular destination for aid donors but insists that it remains a poor country. "It is a very deceptive situation, because a lot of money has poured in to develop the mines. But a lot of money is simply kept in the banks. It gives a false sense of abundance.

"People think every Motswana is affluent. We really are still a poor country thinking in terms of the individual Motswana, despite all the effort the Government makes to see that what comes out of the mines is ploughed back into development in the rural area.

"Our problem is that there are so many priorities, and so few people to meet them."

Delta with no sea outlet

TOURISM

QUENTIN PEEL

PERHAPS THE MOST extraordinary thing about the Okavango delta is the total contrast to everything around it—indeed to any other area of Africa. It is quite unlike any other environment. Here, in the heart of one of the most arid and inhospitable countries of southern Africa, is a vast maze of waterways, islands and lakes, huge reed beds and deep channels, a world of water on the edge of the Kalahari desert. And because of this remarkable combination of natural habitats, the delta also boasts an unrivalled variety and profusion of wildlife.

As one drifts in a primitive dugout canoe through the thick beds of reeds, it is hard to understand how one can keep moving. Then the boat, propelled by an Okavango boatman in true Livingstonian style, shoots out into a glassy lagoon dotted with water lilies. Birds abound—bee-eaters, kingfishers, herons and the magnificent fish-eagle, jealously guarding his stretch of the river. Hippos and crocodiles swim in the channels, and where the delta meets the desert, it is possible at one and the same time to see elephant, buffalo, giraffe, lechwe, reedbuck, baboons, warthog and impala as well.

The Okavango delta, where the third largest river in southern Africa spills and expires on the edge of the Kalahari, is a unique natural phenomenon—and also an exclusive one. Its very remoteness makes it a destination only for the very rich or the intrepid. Tsetse fly, the carrier of sleeping sickness, has kept many at bay, and only the river Bushmen have always hunted there.

Whether Botswana should actively promote its magnificent natural resources for international tourism is a matter of impassioned debate. "I would like to see it in expensive moderation," says Mr. Alec Campbell, director of the national museum in Gaborone and author of an admirable and most comprehensive guide book. "There are very few jobs in tourist areas—people are pulling out en masse for the towns. I see tourism stepping up things a bit in these areas, providing some facilities, and better transport for people to move around. Also, there is a need for people to see their natural resources bringing in a return."

But there are obvious negative aspects for a developing country like Botswana. The infrastructure of transport, communications, shops and hotels is simply not capable of supporting a big increase in visitors. Infrastructure priorities are aimed at improving life in the agricultural areas, not the picturesque wilderness.

Moreover, there is not as much wildlife as people think, says Alec Campbell, and certainly not as much as there used to be in the heyday of Victorian hunters, when tons of ivory were exported through South Africa to Europe.

Hunting can still be done—at a price. The standard 21-day tour in the licensed hunting areas around the delta can cost around US$35,000. You simply choose your target, and it will be found, whether big game or buck, lion, elephant or impala.

There is fishing too, for tiger fish (the "fresh water barracuda"), bream, pike, barbel and bulldog fish in the delta, the Chobe River and the Savuti channel.

But for most, the attraction of Botswana's wildlife is for more peaceable pursuits of photography, and simply game-spotting. It is something which can be done either camping, kitted out for a full-scale desert expedition and a four-wheel-drive vehicle; or by air, flying by charter planes to exclusive game camps and safari lodges—mostly from South Africa, and at considerable expense.

Guaranteed

If you pay your money, then no expense is spared. One safari operator from Johannesburg boasts that a cold beer hot shower and a three-course meal is guaranteed at the end of every day's strenuous game-viewing. A five-day trip to the Okavango with Gametrackers, the largest luxury operator, costs in the order of R500 (£470) from Johannesburg.

In contrast, an Afrikaner farmer with an encyclopaedic knowledge of the Kalahari will take you on a 12-day tour of the desert, right round to the remote and mysterious Tsodilo Hills, which boast an extraordinary profusion of Bushman rock paintings, for about P60 a day. He provides the food, you cook it.

Botswana could benefit from any recovery of international tourism in neighbouring Zimbabwe. Its Chobe National Park, and indeed the Okavango delta, could well be included in international packages starting from the Victoria Falls and the Wankie National Park. The luxury Chobe Game Lodge has been closed since the guerrilla war in Zimbabwe was at its height but there are hopes that it can be reopened soon.

Self-catering tourism is more of a challenge to the visitor. Botswana's hotels are few and far between. And although almost universally friendly, their facilities are uneven. In Francistown, the Grand Hotel is scarcely appropriately named, although the other, the Tati, is closer to the mark.

In Gaborone, gambling trips from South Africa are now few and far between, since a grander and closer casino was opened in the Bophuthatswana Homeland. But visitors would be well advised to book ahead, for hotel space in the two establishments, the President and the Holiday Inn, is at a premium. A new hotel is planned for the mid-1980s. The hotels are clean, the service cheerful, but at the Holiday Inn, the food is to be avoided—eat instead at the Woodpecker restaurant a few miles out of town.

Pipedreams versus reality

TRANSPORT

QUENTIN PEEL

TO SOME people it seems an impossible pipedream. To others it is only a matter of time before it becomes reality. But there is no doubt that the possibility of a trans-Kalahari railway is currently arousing more excited speculation in Botswana than any other major infrastructure project.

The idea of such a rail route, running from the existing railway line in the east across the Kalahari Desert to Gobabis in Namibia (South West Africa), where it would meet a line to the port of Walvis Bay, has been around for a long time. Now it is being argued that the only prospect of exploiting Botswana's estimated 17bn tonnes of coal reserves lies in building a new line; the existing routes through South Africa, or Zimbabwe and Mozambique cannot handle it.

A recent study, financed by the Commonwealth, concluded that exports of some 10m tonnes of coal a year should make such a line viable. But its cost is enormous nevertheless: an estimated P1bn ($1.2bn), including a coal terminal at Walvis Bay, compared with Botswana's current annual Gross Domestic Product (GDP) of P500m. It is a graphic illustration of the cost of opening up Botswana, huge and land-locked as it is, to economic development.

Existing transport routes, road, rail and air, are concentrated in eastern Botswana, where more than 80 per cent of the population lives. Part of the attraction of the trans-Kalahari line is that it would permit development of the sparsely inhabited west. But Botswana's natural requirement for heavy transport investment is further complicated by an awareness of the country's vulnerability to the disruption of its trade routes by political events in neighbouring States.

The war in Zimbabwe decided the Botswana Government to take over its sole existing railway line, hitherto run by Rhodesia Railways (now the National Railways of Zimbabwe). The line, which runs from Mafeking in South Africa to Bulawayo in Zimbabwe, via Gaborone and Francistown, not only carries all Botswana's bulk export traffic—mainly beef and copper-nickel—but is also its most important internal transport route. Despite the Zimbabwe settlement, and an estimated takeover cost of some P30m (excluding compensation), Botswana is determined to press ahead. Only the sense of urgency is less.

Already 47 wagons out of an intended 500, and 12 locomotives out of 25, have been ordered or bought. Botswana artisans, drivers and technicians are being trained in Kenya and Malawi. A new railway headquarters will have to be built, and expatriate managers employed to run it until Botswana managers have been trained.

In addition, there is a need for substantial investment in relaying the track, an overdue exercise. But so far the only finance raised for the takeover has been some P17m from West Germany, tied in part to the purchase of locomotives.

The danger of international sanctions being imposed on South Africa has been a major factor behind three other schemes: building an international airport at Gaborone, installing direct international telecommunications and building oil storage tanks.

The new airport, costing an estimated P41m, is all set to go ahead, and tender documents have been prepared. Finance has been promised by five donors — the African Development Bank, the Arab Bank for Economic Development in Africa (BADEA), Saudi Arabia and Kuwait, with only West Germany yet to finalise approval.

The airport will give Gaborone the capacity to take direct international flights, instead of serving simply as a feeder destination from Johannesburg. If work starts in 1982, the new airport should be completed by mid-1984.

A parastatal corporation has been set up to re-vamp Botswana's telecommunications, with Britain's Cable and Wireless providing the management. Already an earth station has been completed for international satellite communications. The next priority is for improved telex communications, and a P2bn contract has been awarded for a new high-capacity telex exchange. New telephone exchanges in Gaborone, Mahalapye and Francistown will cost a further P31m.

Vulnerability

Botswana's attempt to reduce its vulnerability to oil sanctions against South Africa shows how difficult that will be. Oil storage depots costing P3.6m have been built at Gaborone and Francistown designed to hold up to three months' supply, to tide the country over any sudden cut-off. But they have yet to be filled, because South Africa has prevented the extra oil being delivered.

South Africa now also has a say in Botswana's electricity supplies, since a line with a capacity of 30 MW is under construction from the South African grid to Gaborone, to provide for the new diamond mine at Jwaneng, at least until a 90 MW station has been built at Morupule.

Indeed the prospects for the trans-Kalahari railway line also emphasise Botswana's continuing vulnerability to political developments elsewhere. That line is likely to be out of the question until some solution is found to the dispute between South Africa and the international community over the future of Namibia, and the enclave of Walvis Bay.

INTL. COMPANIES & FINANCE

Lauritzen trebles earnings

By Our Financial Staff

SHARPLY HIGHER profits are reported by Lauritzen, the Danish shipping company. At the net level earnings for 1980 have more than trebled.

Helped by "marked progress" in offshore drilling work, bulk carriers and refrigerated ships, gross profits increased to DKr 324m ($49m) from the DKr 153m of 1979. Net earnings were DKr 207m, compared to DKr 66m.

The results were also boosted by the renewed strength of the dollar, the currency which Lauritzen uses for accounting purposes, while lower down the profit and loss account ship sales have made a noticeable impact.

Looking ahead, the company suggests that net earnings for 1981 may show a decline. *Operating results for this year will be largely maintained.*

Dollar issues head Eurobonds

By Francis Ghilès

EIGHTY per cent of all Eurobonds sold, followed by U.S. the first three months of 1981 were denominated in U.S. dollars, while French franc denominated bonds accounted for *a further 11½ per cent. Altogether* $4.1bn worth of new bonds were launched, making a total of 62 public issues.

European borrowers accounted for 44.2 per cent of all bond issues launched during borrowers with 29.4 per cent and Canadian borrowers with 15½ per cent. Japanese names accounted for 7.1 per cent.

Dutch paper group increases payments

BY OUR FINANCIAL STAFF

HIGHER profits and an increase in dividend are announced by Buehrmann - Tetterode, the Dutch paper, printing and trading group.

For 1980 the company has boosted net profits by 12 per cent to Fl 46.2m on sales almost a fifth higher at Fl 2.57bn. The dividend is going up to Fl 5.60 a share from Fl 5.40.

A further increase in profit this year is expected if costs are contained within budgeted levels, Mr. M. W. Overwater, board chairman told a Press conference. Sales growth was likely to slow to less than 10 per cent, with 1981 emerging as a year of consolidation after the strong expansion of the past two years, he said.

Mr. Overwater said the group was benefiting from its concentration on old paper as a raw material at a time when the sharp rise in cellulose prices and the strength of the dollar were affecting competing products.

The company said its sales included recent acquisitions both in the Netherlands and abroad and had contributed satisfactorily to the results.

The operating results of companies involved in the distribution of paper and paper products and toys and sporting goods rose by 23 per cent; printing equipment companies boosted operating results by 19 per cent; and the growth among paper and packaging materials companies extended to 26 per cent.

Interest charges rose 30 per cent to about Fl 70m. Depreciation rose by 10 per cent to Fl 64.5m.

Swiss charter airline to reduce dividend

BY JOHN WICKS IN ZURICH

BALAIR, the Swiss charter airline, is to cut its dividend from 8 to 4 per cent after a decline in 1980 net profits from SwFr 3.61m to SwFr 1.9m ($985,000).

The airline, which is controlled by Swissair, says that earnings were substantially below expectation. Charter fare increases had *lagged behind the rise in costs it explained.*

Turnover improved marginally to SwFr 184.14m last year and Balair achieved a 2.5 per cent increase in actual operational income. But gross profits fell from SwFr 17.27m to SwFr 13.45m. Balair had also earned less on non-flight operations and transactions.

●Peak profits of SwFr 26m, a gain of 12 per cent, are reported by Banca Della Svizzera Italiana, which has its headquarters in Lugano. An unchanged 12 per cent dividend is planned.

Balance sheet total at the end of 1980 stood at SwFr 3.5bn, which is a rise of a fifth over the end 1979 level. Deposits expanded by 11 per cent to SwFr 2.1bn.

Italian bank in U.S. bid

By Our Financial Staff

BANCA Commerciale Italiana, the second largest bank in Italy, is bidding $93m in cash for Litco Bancorp of New York.

If the deal goes through — and the Litco chief executive recommends that shareholders accept the offer — Banca Commerciale will inject $20m of new capital into Litco.

The bid is worth $35 a share. Litco is the holding company for a group of Long Island banks.

Banca Commerciale is 90 per cent controlled by the Italian state holding company, IRI. For 1980 the bank reported earnings of almost $22m, a gain of 20 per cent.

The offer will be presented to the full Litco Board "at the earliest practicable date."

Banca has offered to adjust its offer upwards to reflect any increase in the per share net book value of Litco between March 31 and the close of the fiscal quarter immediately preceding the acquisition.

Share issue by Swiss insurer

By Our Zurich Correspondent

A RIGHTS issue to raise SwFr 3.75m ($2m) is proposed by La Suisse Societe d'Assurances sur la Vie, the Swiss life assurance group.

The offer will be on a one-for-five basis at SwFr 1,250 a share and will increase capital to SwFr 18m ($9.37m) from the present SwFr 15m.

At the same time the affiliated non-life company, La Suisse, Societe d'Assurances contre les Accidents, is to issue 3,000 dividend certificates.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It shoud be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column beaded "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Assoc. Biscuit	Apr. 10	Final 2.44	Laporte	Apr. 23	Final 5.25
*Aurora	Apr. 8	Final 4.61	*London Brick	Apr. 8	Final 2.632
BAT Inds.	Apr. 30	*Int. 6.0*	*Lead Inds.	Apr. 9	Final 5.96
*BICC	Apr. 8	Final 5.82	*Marks & Spencer	May 20	Final 1.9
*Bank of Scotland	Apr. 14	Final 7.75	Mowlem (J.)	May 1	†Final 8.23
Barrow Hepburn	Apr. 16	*Final 1.4*	Newarthill	May 1	†Final 6.0
Blue Circle	Apr. 23	Final 8.7	NEI	Apr. 17	Final 2.5
*Bowater	Apr. 9	Final 7.25	*Nurdin & Peacock*	Apr. 28	Final 2.1
*Brown Boveri Kent	Apr. 10	Final 7.2	Peachey Prop.	Apr. 2	Int. 1.5
**Burmah Oil*	Apr. 15	*Final 5.0*	*Pearl Assurance	Apr. 15	†Final 12.0
*Croda Intl.	Apr. 14	Final 1.5	Pearson Longman	Apr. 22	Final 4.605
Currys	Apr. 14	Final 6.3	Pearson (S.)	Apr. 22	Final 6.25
*Delta Grp.	Apr. 22	Final 4.18	RMC	Apr. 15	Final 4.9
*Dunlop	Apr. 23	Final 2.65	Rio Tinto-Zinc	Apr. 16	Final 10.5
Foseco Minsep	*Apr. 28*	*Final 3.76*	Rowntree Mackintosh	Apr. 15	Final 4.75
Gerrard Nat. Disc.	Apr. 30	Final 6.5	*Rugby Portland Cement	Apr. 13	Final 2.5
*Gill & Duffus	Apr. 8	Final 4.0	*Scottish Metropltn	Apr. 7	Int. 1.25
*Glaxo	Apr. 13	Int. 3.5	Simon Eng.	Apr. 28	Final 7.33
**Glynwed*	*Apr. 8*	*Final 6.7*	*Smith Inds.	Apr. 14	Int. 3.7
Hammerson Prop.	Apr. 16	Final 12.0	*Smith (W.H.)	Apr. 21	Final 2.8
*Harris Queensway	Apr. 22	Final 4.0	*Standard Chartered Bk	Apr. 7	Final 16.0
**Hawker* Siddeley	Apr. 15	Final 5.0	*Tarmac	Apr. 28	Final 8.75
Hepw'th (J.)	Apr. 3	Int. 0.79	Taylor Woodrow	Apr. 10	Final 10.157
Hawden-Stuart	Apr. 10	Final 0.95	Tozer Kemsley	Apr. 22	Final 3.18
**House of* Fraser	Apr. 29	Final 4.0	Vickers	Apr. 24	Final 5.964
*KCA Intl.	Apr. 7	Final 2.5	*Wimpey (G.)	Apr. 30	Final 1.5
*Kwik Save Discount	May 1	Int. 1.3			
**Laing Props.*	*Apr. 7*	*Final 2.25*			
Laird	May 3	Final 1.7			

* Board meeting intimated. † Rights *issue since made.* ‡ Tax free. § Scrip issue since made. ¶ Forecast.

CORAL INDEX: Close 536-541 (−2)

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual Interest gross interest	payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12¼	½-year	1,000	1-2

Public Works Loan Board rates

Effective from March 28

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12¾	12½	13⅛	13¼	13⅝	13⅞
Over 5, up to 10	*13¼*	*13⅜*	*13¾*	*13⅞*	*13⅞*	*14⅛*
Over 10, up to 15	13⅜	13¼	13⅝	14⅛	14⅛	14⅛
Over 15, up to 25	13¾	13¼	13½	14⅛	14	14
Over 25	13¼	13½	13¼	14	14	14

* *Non-quota loans B are 1 per cent higher in each case than non-quota loans A.* †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payment of interest only.

CURRENCIES, MONEY and GOLD

Big brother left in the cold

BY COLIN MILLHAM

[Comf]ortable conditions in the London money market last week enabled the discount houses to discover the advantages of the Bank of England's new method of market management, although other market operators were not altogether happy with the way things worked out.

Shortages on Monday and Tuesday created no problems and were relieved by official purchases, but thereafter the supply of money moved to surplus which was absorbed when the authorities sold to the market. The method of operation reflected the input forward in policy documents published in November and mid-March.

The intention of the authorities is to give the market a *greater influence over the level* of short term interest rates, and as part of this policy the Bank of England has phased out the system by which it announced dealing rates for Treasury bills.

This has left the houses to *decide for themselves the likely* level at which the Bank will buy bills, but last week they were given the opportunity to *find out the price at which the* authorities would sell bills.

For the first time on Wednesday the Bank of England told the discount houses that it was *prepared to sell bills, and* invited them to place bids. In the past the houses have been told the maturity of the bills which the authorities wished to sell, and the price required.

Long term bills are not attractive to the houses, but they were more than happy to buy bills with next day maturities, at rates of 11 per cent or more, when the cost of overnight money was around 10½ per cent.

On the other hand the clearing banks were not too pleased. They were left out in the cold, and were not offered bills despite the fact that surplus funds remained in the system after the mop. *This is perhaps* not surprising since it helps to protect the houses' position as intermediaries within the system, and by leaving a surplus tends to keep down interest rates. But the aspect which seemed to upset the clearers was lack of information on the deals concluded between the Bank of England and the houses.

Perhaps one advantage to the houses of the new system will be that they will have a much better idea of official thinking on interest rates from day-to-day than their big brothers.

THE POUND SPOT AND FORWARD

April 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2150-2.2150	2.2050-2.2060	0.47-0.57c dis	−2.83	1.40-1.50dis	−2.63
Canada	2.6170-2.6170	2.6090-2.6100	1.10-1.20c dis	−5.29	3.00-3.15dis	−4.71
Nethlnd.	5.23	5.18½-5.19½	1½-½c pm	1.44	2⅞-1⅞ pm	1.54
Belgium	77.20	76.90-77.00	125-145c dis	−21.05	160-190 dis	−9.08
Denmark	14.53	14.73-14.75	1⅞-3⅞ore dis	−2.03	7⅝-9⅞ dis	−2.26
Ireland	1.2955	1.2885-1.2900	0.18-0.31p dis	−2.28	0.69-0.83dis	−2.35
W. Ger.	4.72	4.67½-4.68½	par-½pf dis	−0.64	¼-⅛ dis	−0.43
Portugal	128.20	128.45-128.65	par-75c dis	−3.56	15-190 dis	−3.34
Spain	191.70	191.05-191.25	55-90c dis	−4.55	165-245 dis	−4.30
Italy	2,345	2,333-2,335	13½-15½ lire dis	−7.45	44-47 dis	−7.80
Norway	12.01	11.86-11.88	1½ore pm-½ dis	0.31	1½ pm-⅞ dis	0.08
France	11.12	11.01½-11.02½	1-2c dis	−1.63	4⅝-5⅝ dis	−1.72
Sweden	10.29	10.21½-10.22½	2⅞-3⅞ore dis	−3.06	7⅞-8⅞ dis	−3.18
Japan	485	469½-470½	2.15-1.80y pm	5.04	5.00-6.20 pm	4.69
Austria	33.35	33.23-33.28	4 gro pm-2 dis	0.54	3 pm-6 dis	0.18
Switz.	4.27	4.26¼-4.27¼	2-1c pm	4.22	5-4 pm	4.22

Belgian rate is for convertible francs. Financial franc 80.80-80.90. Six-month forward dollar 2.95-3.05c dis, 12-month 5.00-5.20c dis.

THE DOLLAR SPOT AND FORWARD

April 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1950-2.2150	2.2050-2.2060	0.47-0.57c dis	−2.83	1.40-1.50dis	−2.63
Ireland†	1.7040-1.7165	1.7130-1.7160	par-0.10c dis	−0.35	0.05-0.15dis	−0.23
Canada	1.1820-1.1850	1.1841-1.1844	0.29-0.30c dis	−2.79	0.64-0.69dis	−2.25
Nethlnd.	2.3540-2.3640	2.3630-2.3645	0.90-0.80c pm	4.31	2.46-2.36 pm	4.07
Belgium	34.84-35.00	34.87-34.89	40-45c dis	−17.89	45-70 dis	−6.57
Denmark	6.6910-6.6925	6.6910-6.6925	½ore pm-par	0.45	⅞ pm-par	0.16
W. Ger.	2.1200-2.1215	2.1205-2.1215	0.40-0.34pf pm	2.09	1.20-1.14 pm	2.21
Portugal	57.10-58.00	57.35-57.50	5c pm-25 dis	−2.10	25pm-50dis	−0.87
Spain	86.23-86.60	86.47-86.52	par-20c dis	−1.39	30-55 dis	−1.96
Italy	1,058-1,059	1,058-1,060	4-4½ lire dis	−4.96	13½-15 dis	−5.27
Norway	5.4075-5.4300	5.4225-5.4255	½-1½ore dis	−2.76	3.40-2.90 pm	2.22
France	4.9950-5.0050	4.9950-5.0000	0.45-0.35c pm	0.95	1.10-0.90 pm	0.80
Sweden	4.6250-4.6350	4.6350-4.6385	0.30-0.50ore dis	−1.03	0.70-0.90dis	−0.69
Japan	213.00-214.20	213.05-213.15	1.35y pm	6.02	3.96-3.90 pm	7.37
Austria	15.03½-15.05½	15.05½-15.05½	4.40-3.10gro pm	2.89	12.75-9.25 pm	2.92
Switz.	1.9320-1.9345	1.9335-1.9345	1.16-1.06c pm	6.82	3.20-3.10 pm	6.51

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	April 3		April 2	
Gold Bullion (fine ounce)				
Close	$522-525	(£237-238¼)	$519-522	(£232¾-234¼)
Opening	$521-524	(£235¾-237¼)	$515-519	(£230¼-231⅞)
Morning fixing	$523.50	(£236.450)	$517	(£230.929)
Afternoon fixing	$523	(£237.511)	$519.50	(£232.262)
Gold Coins				
Krugerrand	$539-540	(£244¾-245¼)	$534-535½	(£239¾-240½)
1/2 Krugerrand	$278-279	(£126¼-126¾)	$275-277	(£123½-124¾)
1/4 Krugerrand	$142-143	(£64½-65)	$140-142	(£62¾-63¾)
1/10 Krugerrand	$58-59	(£26¼-26¾)	$58-60	(£26-27)
Mapleleaf	$537-539	(£243½-244¼)	$533½-530½	(£237¾-238)
New Sovereigns	$130½-131½	(£59¼-59¾)	$130-131	(£58¼-58¾)
King Sovereigns	$150-162	(£68-69)	$150-151	(£68-69)
Victoria Sovs.	$150-152	(£68-69)	$150-152	(£68-69)
French 20s	$170-173	(£77¼-78½)	$170-172	(£76¼-77¼)
50 pesos Mexico	$646-651	(£293½-295½)	$643-647	(£288½-290¼)
100 Cor. Austria	$504-509	(£228¾-231)	$502-507	(£225¼-227¼)
$20 Eagles	$632-637	(£287-289¼)	$630-635	(£282½-285)

OTHER CURRENCIES

April 3	£	$		Note Rates
Argentina Peso	6723-6743	3050-3060	Austria	35.05-35.45
Australia Dollar	1.9051-1.9055	0.8625-0.8630	Belgium	80.25-81.05
Brazil Cruzeiro	167.93-168.93	76.15-76.55	Denmark	14.70-14.85
Finland Markka	9.004-9.019	4.0890-4.0910	France	11.03-11.13
Greek Drachma	118.17-118.92	53.70-53.80	Germany	4.68-4.72½
Hong Kong Dollar	11.72¼-11.74½	5.3270-5.3300	Italy	2280-2360
Iran Rial	168.00	76.20	Japan	471-476
Kuwait Dinar (KD)	0.604-0.610	0.2746-0.2751	Netherlands	5.18-5.23
Luxembourg Frc.	76.90-77.00	34.87-34.89	Norway	11.97-12.09
Malaysia Dollar	5.0425-5.0525	2.2900-2.2930	Portugal	126-138
New Zealand Dlr.	2.4305-2.4355	1.1030-1.1040	Spain	184-195
Saudi Arab. Riyal	7.37-7.43	3.3410-3.3430	Sweden	10.20-10.30
Singapore Dollar	4.614-4.62	2.0945-2.0975	Switzerland	4.26½-4.31
Sth African Rand	1.7765-1.7785	0.8055-0.8065	United States	2.19-2.21
U.A.E. Dirham	8.09-8.14	3.6720-3.6760	Yugoslavia	77-80

April 1 Malaysia Dollar/Sterling 5.0890-5.1090. Rate given for Argentina is free rate. *Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. APRIL 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 1/2	offer 14 5/8	bid 14 1/2	offer 14 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

April 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11¾-12	14½-14¾	16-17	9½-9¾	[illegible]	12-12¼	11¾-12	17½-19½	40-50	5¾-6¼
7 days' notice	11¾-12	14½-14¾	16-17	9½-9¾	6¼-6¾	12½-12¾	12-12¼	18¼-19¾	40-45	6¼-6¾
Month	12-12¼	14⅝-14⅞	16⅛-17⅛	10-10½	7¼-7½	12⅝-12⅞	12¼-12½	19-21	33-36	6⅞-7⅛
Three months	12¼-12½	14⅝-14⅞	16½-17	10¼-10½	7¾-7⅞	12⅝-12⅞	13-13¼	20¼-22¼	20½-22½	7¼-7⅝
Six months	12¼-12½	14⅜-14⅝	15½-15⅞	10⅛-10⅜	7¾-7⅞	12¼-12½	13½-13⅞	19½-20½	16½-17½	7⅛-7⅜
One Year	12¼-12½	14⅛-14⅜	15-15¼	10½-10⅞	7⅜-7½	11⅝-11⅞	13¾-13⅞	19-20	15-16	7¼-7⅜

SDR linked deposits: one-month 12⅛-12⅜ per cent; three-months 12⅝-12⅞ per cent; six-months 12⅝-12⅞ per cent; one-year 12⅛-12⅜ per cent.
ECU linked deposits: one-month 13⅛-13⅜ per cent; three-months 13⅛-13⅜ per cent; six-months 13⅛-13⅜ per cent; one-year 12⅞-13⅛ per cent.
Asian $ (closing rates in Singapore): one-month 14⅛-14⅜ per cent; three-months 14⅛-14⅜ per cent; six-months 14⅛-14⅜ per cent; one-year 14⅛-14⅜ per cent.
Long-term Eurodollar two years 14⅛-14⅜ per cent; three years 14⅛-14⅜ per cent; four years 14⅛-14⅜ per cent; five years 14⅛-14⅜ per cent; nominal closing rates.
Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 12.40-12.50 per cent; three-months 12.40-12.50 per cent; six-months 12.35-12.45 per cent; one-year 12.30-12.40 per cent.

LONDON MONEY RATES

April 3 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-11¾	10½-11½	—	—	—	10-11½	6-11¾	—	—
2 days notice	—	—	11¾-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-12	12-12¼	—	—	12	—	—	—	—
One month	12¼-12⅛	12¼-12½	12-12¼	13¼-12¾	12¼	12⅛	11⅞-12¼	11¾-11⅞	11⅞-11¾	12⅞
Two months	12⅛-12	12⅛-12⅝	—	13-12¾	12⅛	12⅛	—	11⅝	11⅞	12⅞
Three months	12⅛-12	12⅛-12⅝	12⅛-12⅜	12⅞-12½	12⅛	12⅛	11⅞	11¾	11⅞	12⅞
Six months	11⅞-11¾	12⅛-12⅜	12⅛	12½-12¼	12⅛	12⅛	—	—	11⅝	12⅛
Nine months	11⅞-11¾	11⅞-12⅜	12⅛	12⅛-12¼	12⅛	—	—	—	—	—
One year	11⅞-11¾	11¾-12	12⅛	12⅛-12¼	12⅛	—	—	—	—	—
Two years	—	—	12⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13 per cent; four years 13 per cent; five years 13⅛-13⅜ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-months bank bills 11⅛-11⅜ per cent; four-months trade bills 12⅛ per cent.
Approximate selling rates for one-month Treasury bills 11⅞-11⅝ per cent; two-months 11⅞ per cent; three-months 11⅝-11⅜ per cent. Approximate selling rate for one-month bank bills 11⅞-11⅞ per cent; two-months 11⅞ per cent; three-months 11⅛-11⅝ per cent; one-month trade bills 12⅜ per cent; two-months 12⅜ per cent and three-months 12⅜ per cent.
Finance Houses Base Rate (published by the Finance Houses Association) 13 per cent from April 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4276 per cent.

BASE LENDING RATES

A.B.N. Bank	12 %	■ *Hambros Bank*	*12* %
Allied Irish Bk.	12 %	Heritable & Gen. Trust	12 %
American Express Bk.	12 %	■ Hill Samuel	§12 %
Amro Bank	12 %	C. Hoare & Co.	†12 %
Henry Ansbacher	12 %	Hongkong & Shanghai	12 %
AP Bank Ltd.	12 %	Keyser Ullmann	12 %
■ Arbuthnot Latham	12 %	Knowsley & Co. Ltd.	14 %
Associates Cap. Corp.	12 %	Langris Trust Ltd.	12 %
Banco de Bilbao	12 %	Lloyds Bank	12 %
BCCI	12 %	Mallinhall Limited	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ *Samuel Montagu*	*12* %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	*13* %	Norwich General Trust	12 %
Bremar Holdings Ltd.	13 %	*P. S. Refson & Co.*	*12* %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½ %	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	*Standard Chartered*	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	*United Bank of Kuwait*	*12* %
Consolidated Credits	12 %	Whiteaway Laidlaw	12½ %
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	*12* %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	*Yorkshire Bank*	*12* %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	*12* %		
First Nat. Fin. Corp.	14½ %		
First Nat. Secs. Ltd.	14½ %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. *Short term £4,000/12 months* 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10½%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
150	F.P.	3/4	207	170	British Aerospace 50p	205	−1	b7.8	2.0	5.4	8.1
19	F.P.	27/3	18½	13½	Crest Intl Sec. 10p	16½					
180	F.P.	[illegible]	123	105	Dyson (J. & J.)	120					
11	F.P.	[illegible]	170	160	Eglinton Oil & Gas	160	+7				
70	F.P.	30/4	105	95	Ferguson Ind.	103					
30	F.P.	[illegible]	60	56	Euroflame	56					
55	F.P.	[illegible]	103	94	Muntone Bros.	96					
100	F.P.	15/3	102	93	New Darien Oil Trust	93					
4	F.P.	[illegible]	3	[illegible]	Do. Warrants	3					
42	F.P.	13/5	9	7½	Oil & Gas Production	9					
100	F.P.	21/4	100	98	R. T. Energy	98					

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
	F.P.	—	34p	33p	Colonial Secs. 70% Cum. 2nd Pref. 5p	33p	
100	F.P.	24/4	70	70	Cystic Fibrosis Res'ch In. Tst. 5% Deb. '88	70	
97¾	£10	[illegible]	10½	10	Dystic Fin. Inv. Tst. [illegible]	10	
	F.P.	20/3	170p	147p	Sterling Credit 9% Cnv. Red. Cum. Prf.	168	+1
	F.P.	28/6	102½	101½	Sutton District Water 8% Red. Prf.	102	
	£10	[illegible]	12	11	West Hampshire Water 8% Red. Prf. '86	11	

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −
154	F.P.	9/5	22/5	220 171	Assoc. Dairies	214	−4
2	Nil	29/5	10pm	4pm Barker & Dobson	4pm	
8A9	Nil			285pm 175pm Broken Hill Prop.	280pm	+20
71	Nil			12pm 5pm I.M.I.	10pm	+1
A1¾	Nil			48pm 33pm Woodside	46pm	+1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1978. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ☆ Unlisted Securities Market. ‡‡ London listing. ‡ Effective issue price after scrip. ¶¶ Formerly dealt in under Rule 163(2)(a). ‖‖ Unit comprising 125 A Ord. & 6 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

ملك أحمد الطيب

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

AbbeyAm.Gth.Tst.(z)	61.2	65.8	+0.7	2.20
Abbey Capital	51.5	55.6	+3.6	3.96
Abbey General(z)	59.8	63.5	+0.2	4.84
Abbey Gilt&F.I.Tst(z)	107.6	113.3	-0.2	11.56
Abbey Income(z)	37.7	40.7	+0.5	8.63
AbbeyWFWBA Tst.(z)	95.3	100.8	+0.9	6.65
Abbey Inv. Tst. Fd.(z)	52.3	56.5	+0.2	4.49
Equitas Prog. Tst.(z)	84.8	91.7	+0.8	4.46

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	87.9	92.5	.....	12.60

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	93.9	100.5	+0.8	5.57
Brit. Inds. Fund	82.4	88.2	+0.7	5.78
Growth & Income	54.2	58.0	+0.4	4.66
Elect. & Ind. Dev.	47.9	51.3	+0.5	4.87
Allied Capital	101.7	108.8	+0.5	4.04
Hambro Fund	139.5	149.3	+1.1	5.57
Hambro Acc. Fund	192.8	205.6	+1.6	4.43
Income Funds				
High Yield Fd.	68.8	73.6	+0.6	8.15
High Income	83.7	89.6	+0.9	7.22
Equity Income Fd.	48.3	51.7	+0.4	7.08
Govt. Secs.	26.5	27.3	.....	11.36
International Funds				
International	36.5	39.1	+0.5	2.05
Japan Fund	25.7	27.5	+0.1	0.23

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.6	46.0	+0.6	0.54
Cres. Internat'l.	85.2	92.8	+1.3	1.70
Cres. High. Dist.	47.7	51.5	+0.5	9.22
Cres. Reserves	53.1	57.3	+0.6	5.13
Cres. Tokyo	34.9	37.6	+0.2	0.93

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit. Tst.	23.5	25.0	.....	9.34

Discretionary Unit Fund Managers
36/38 New Broad St. EC2M 1NU. 01-638 4485

Disc. Inc. Mar. 27	249.5	266.1	.....	4.89

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.5	20.4	.....	6.95
Gt. Winchester O'seas	27.6	30.6	.....	3.47

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	93.1	97.9	+0.7	4.03

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	38.1	41.0	+0.4	0.64
Ameri. Spec. Sits. (z)	27.9	30.0	+0.4	0.68
Gilt + Fixed Int.	25.7	27.0	.....	11.70
Growth + Income	34.0	36.6	+0.4	6.53
Maximum Inc. Eq. Tst.	28.7	30.9	+0.3	8.34
Special Sits.	42.5	45.8	+0.4	1.69

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	40.0	43.0	.....	1.68
Accum. Units	49.6	53.3	.....	1.68

FT UNIT TRUST INFORMATION SERVICE

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	256.8	270.4	.....	4.43

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Pro. Fund March 31		148.70		6.77
Wider Fund March 31		289.50	+3.90	5.00
Narrower Fd. Mar. 31		77.95	+1.10	12.99

*Unauthorised: Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
See also Stock Exchange Dealings

American	67.4	72.5	+1.2	1.94
(Accum. Units)	72.4	77.8	+1.2	1.94
American Recovery	76.8	82.2	+1.6	1.55
(Accum. Units)	79.0	84.5	+1.6	1.55
Australasian	115.4	123.5	+3.1	0.74
(Accum. Units)	120.8	129.3	+3.2	0.74
Comm. & Gen.	149.2	159.6	-0.3	2.82
(Accum. Units)	175.4	187.7	-0.3	2.82
Compound Growth	192.9	206.4	+0.4	3.11
Conversion Growth	119.0	127.3	+1.0	3.36
Conversion Inc.	74.2	79.4	+0.3	9.70
Dividend	187.2	148.9	+1.6	8.50
(Accum. Units)	305.4	331.4	+3.5	8.50
European	62.0	66.3	+0.4	3.75
(Accum. Units)	67.9	72.6	+0.5	3.75
Extra Yield	86.5	93.8	+1.1	9.39
(Accum. Units)	140.6	152.6	+1.9	9.39
Far Eastern	120.4	128.8	+1.6	1.01
(Accum. Units)	137.8	147.4	+1.8	1.01
Fund of Inv. Tsts.	97.5	105.3	+0.4	4.60
(Accum. Units)	130.4	140.8	+0.5	4.60

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	172.3	185.2	+0.8	2.57
(Accum. Units)	221.2	237.8	+1.2	2.57
Income Fnd.	236.5	254.2	+2.3	7.31
(Accum. Units)	407.9	438.5	+4.0	7.31
Gen.	130.0	139.7	+1.3	3.84
(Accum. Units)	176.1	189.3	+1.7	3.84
Europe	21.8	23.4	.....	2.78
(Accum. Units)	26.0	27.9	.....	2.78
Smaller Co.'s	154.0	165.5	+1.4	2.94
American	52.0	55.9	+0.7	2.60
(Accum. Units)	52.0	55.9	+0.7	2.60
Tokyo	49.2	52.9	-0.3	0.25
(Accum. Units)	49.2	52.9	-0.3	0.25
Gilt & Fixed	49.3	51.8	-0.1	12.00
(Accum. Units)	49.3	51.8	-0.1	12.00
Australian	50.3	55.8	+0.6	2.00
(Accum. Units)	50.3	55.8	+0.6	2.00
*Ph. & C. Fd. Mar. 31	236.4	248.8	.....	4.75
*Recovery Mar. 31	299.5	315.2	.....	4.04
*Spec. Ex. Mar. 31	467.7	492.3	.....	2.21
*Euro. Exempt Mar. 26	103.1	108.5	.....	2.29

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	104.5	112.8	+1.2	5.28

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	64.0	68.1	.....	4.97
Accum. Units	81.5	86.7	.....	4.97

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.

INSURANCE PROPERTY BONDS

NPI Pensions Management Ltd.
48 Gracechurch St., EC3P 3HH. 01-623 4200

Managed Fund	245.0	255.2	.....	—

Prices April 1. Next dealing May 1.

New Zealand Ins. Co. (UK) Ltd.♥
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key Inv. Plan	256.7	264.2	.....	—
UK Equity	103.1	108.5	+0.9	—
American	146.8	154.6	+1.6	—
Pacific	221.7	233.4	+0.5	—
Property	114.2	120.2	+0.1	—
Gilt	125.0	131.6	+0.1	—
High Inc. Equity	109.4	115.1	+2.0	—
High Inc. Fxd. Int.	98.8	104.1	.....	—
Deposit	118.4	124.6	+0.1	—

Norwich Union Insurance Group♥
PO Box 4, Norwich NR1 3NG. 0603 22200

Managed Fund	289.9	305.1	+0.2	—
Equity Fund	490.6	516.4	+1.0	—
Property Fund	187.4	197.2	+0.1	—
Fixed Int. Fund	181.6	191.1	-0.2	—
Deposit Fund	134.6	141.6	+0.1	—
Nor. Units Mar. 15		261.4	.....	—

Phoenix Assurance Co. Ltd.
4-5 King William St., EC4P 4HR. 01-626 9876

Wealth Ass.	159.7	168.2	.....	—
Eb'r. Ph.Eq.E.	118.8	125.4	.....	—

Planned Savings Group
25 Worship St., London, EC2A 2AB. 01-920 0661

1st Managed	87.1	92.4	.....	—
1st Fixed Interest	66.3	70.3	.....	—
4th Managed	55.3	58.6	.....	—
5th Managed	63.5	67.2	.....	—
Pension Managed	55.98	59.34	.....	—
Family Managed	142.4	145.3	.....	—
Do. B Managed	77.6	79.1	.....	—
Do. C Britannia	53.6	59.8	.....	—
Do. D Fxd. Int.	93.7	95.6	.....	—
Family Capital Fund	75.8	77.3	.....	—

Premium Life Assurance Co. Ltd.

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

Man. Fund Inc.	133.7	140.7	.....	—
Man. Fund Cap.	129.6	136.5	.....	—
Man. Fund Acc.	178.3	187.7	.....	—
Man. Fd. Init.	138.3	145.6	.....	—
Prop. Fund Inc.	134.1	141.2	.....	—
Prop. Fd. Cap.	124.5	131.0	.....	—
Prop. Fd. Acc.	189.8	199.8	.....	—
Prop. Fd. Init.	132.1	139.1	.....	—
Prop. Fd. Inv.	141.0	—	.....	—
Fixed Int. Fd. Inc.	124.4	130.9	.....	—
Fixed Int. Fd. Cap.	115.3	121.4	.....	—
Fixed Int. Fd. Acc.	124.4	130.9	.....	—
Fixed Int. Fd. Ini.	123.1	129.6	.....	—
Dep. Fd. Inc.	109.5	115.3	.....	—
Dep. Fd. Acc.	109.5	115.3	.....	—
Dep. Fd. Init.	103.4	114.1	.....	—
U.K. Equity Fd. Inc.	149.9	157.8	.....	—
U.K. Equity Fd. Cap.	139.1	146.5	.....	—
U.K. Equity Fd. Acc.	149.9	157.8	.....	—
U.K. Equity Fd. Init.	148.4	156.3	.....	—
Int. Equity Fd. Inc.	132.8	139.9	.....	—
Int. Equity Fd. Cap.	123.2	129.7	.....	—
Int. Equity Fd. Acc.	132.8	139.8	.....	—
Int. Equity Fd. Init.	131.6	138.5	.....	—
Ret. Plan Ac. Pen.	141.0	151.7	+0.7	—
Ret. Plan Cap. Pen.	105.3	115.3	+0.5	—
Man. Pen. Fd. Acc.	264.8	280.8	.....	—
Man. Pen. Fd. Cap.	222.1	233.8	.....	—
Gilt Pen. Fd. Acc.	173.9	183.1	.....	—
Gilt Pen Fd. Cap.	149.1	156.9	.....	—
Prop. Pen. Fd. Acc.	223.3	235.0	.....	—
Prop. Pen. Fd. Cap.	232.5	[illegible]	.....	—
Guar. Pen. Fd. Acc.	134.4	141.5	.....	—
Guar. Pen. Fd. Cap.	122.6	129.1	.....	—

Transinternational Life Ins. Co. Ltd.
2 Bream's Bldgs., EC4A 1NU. 01-405 6497

♥Series 2 Man. Fd.	123.2	134.9	.....	—
♥Series 2 Equity Fd.	135.0	142.1	.....	—
♥Series 2 Prop. Fd.	131.9	138.9	.....	—
♥Series 2 Fixed Int Fd.	116.5	122.6	.....	—
♥Series 2 Money Fd.	110.4	116.2	.....	—

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		Public Board and Ind.				
1Ja	1J	Agric. Mt. 5pc '59-89	64	1.12	7.96	12.30
30J	31D	Alcan 10½pc '89-94	80½	10.11	13.24	14.00
1M	1S	Met. Wtr. 3pc 'B'	29	2.2	10.43	12.67
30J	31D	U.S.M.C. 9pc 1982	108	24.11	8.73	—
30J	31D	Do. without Warrnts.	97	24.11	9.60	14.30
		Financial				
20J	20D	FFI 14pc '83	100⅞	20.11	13.88	13.58
31M	30S	FFI(UK Fa)5½pcDb. '80-2	91xd	2.3	6.04	12.75
31M	30N	Do. 6¼pcDb. '81-84	82½	13.10	7.77	13.20
11Ja	11J	Do. 10⅝pc Uns.Ln. '86	92½	8.12	11.67	13.40
11Ja	11J	Do. 11pc Uns.Ln. '88	91½	8.12	12.30	13.05
11Ja	11J	Do. 11¾pc Uns.Ln. '90	91	8.12	13.24	14.00
14Mr.	14S	Do. 12½pc Un. Ln. 1992	91¼xd	9.2	13.66	14.00
30J	31D	Do. 7¼pcADeb. '89-92	64½	24.11	11.72	13.90
31M	30S	Do. 7¼pcADeb. '91-94	60½xd	9.2	11.98	13.80
31M	30S	Do. 9pc 'A' '91-94	71¼xd	9.2	12.58	13.70
28F	31A	Do. 8⅞pcLn. '92-97	67	26.1	13.59	14.30

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	58	8.71	—	—
1Ja	1J	Do. 5pc Pref.	55	2.1	—	—
1Ja	1J	Chilean Mixed	98	24.12	3	f3.18
—		Chinese 4½pc 1898	20	—	—	—
—		Do. 5pc 1912	17	—	—	—
—		Do. 5pc 1913	11	—	—	—
—		Do. 5pc '25 Boxer	11	—	—	—
[illegible]						

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

—	††SPU Minerals 10p	150	—	—	—	—
—	Sabina Inds. C$1.	36	—	—	—	—
—	††SWCM 10p.	31	—	—	—	—
—	Tara Exptn. $1	535	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. [illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

"Recent Issues" and "Rights" Page 24

[illegible]

FINANCIAL TIMES
Monday April 6 1981

Lending move should ease upward pressure on pound

IMF clears sterling blocks

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

OBSTACLES TO the use of sterling for lending by the International Monetary Fund have been removed following lengthy negotiations. This should help to ease upward pressures on sterling.

The Fund has about $4bn in sterling, its second most usable currency behind the dollar. Sterling has been included for use in the "currency budget" for lending, mainly to non-oil developing countries.

The impact will depend on the extent to which sterling is used. But, in theory, the result will be an increase in the supply of pounds in foreign exchange markets and therefore a downward pressure on the level of sterling.

The Fund has been keen for some time to use sterling—now one of the world's strong currencies. But an apparent obstacle has been that the UK still owes money to the Fund—just over $600m under the oil facility.

The previous practice has been that the currencies of debtor countries have not been used for lending by the Fund.

This conflict has led to some heated exchanges. A Fund team visiting London last December asked the UK Government to consider early repayment of the oil facility since private-sector borrowings had been repaid before the due dates.

But the Treasury refused and there were accusations that the UK was reluctant to increase sterling's role as an international reserve currency and was not playing a positive role in the Fund.

British officials are now keen to emphasise that the UK has had no objection in principle to the use of sterling by the Fund and that the problems were largely technical.

In any event, the executive directors of the Fund have reviewed the previous practice and have decided that a currency of a debtor country can be used if that country voluntarily allows its currency to be used.

One problem has been that the Fund's articles have not been clear since the oil facility is different from the normal borrowing tranches.

This move highlights the generally greater use of sterling in international transactions in the last two years.

As UK interest rates have fallen below rates in other countries, there have been signs that a number of foreign organisations want to raise money in London, including possibly the World Bank.

Chinese Rolls-Royce project delayed

By Charles Smith in Xian

PRODUCTION of an all-Chinese version of Rolls-Royce's military Spey engine is being delayed by the refusal or reluctance of British and American companies to provide the Chinese with sophisticated alloy technology, it was claimed at the week-end.

This emerged at ceremonies held in the Xian aero-engine factory in central west China to commemorate the completion of phase one in the Chinese Spey programme.

The Chinese have built four engines in phase one, using materials and know-how supplied by Rolls-Royce. They were tested at the company's Derby facilities.

The programme was supposed to move on to serial production of Spey engines at Xian, using 100 per cent Chinese material. Rolls-Royce officials are confident that China will eventually build many engines, but they have no clear idea when.

The £85m Spey project was signed in December, 1975. It made slow progress for the first two years, apparently because of political problems.

It picked up speed from 1977. The first engine made by the Xian factory was successfully tested in December, 1979.

The engine passed high altitude tests in Derby with flying colours last year. But the next phase of the programme failed to get under way, apparently because of licensing difficulties with the British and Americans.

Outside observers are puzzled about China's plans for using the engine.

Rolls-Royce says it has been kept completely in the dark about the type of military aircraft which the Spey will power.

The Chinese official statement on the Spey has stressed that much has been learned from the project. This has helped in the design of an indigenous Chinese engine to be produced at the Shenyang aero-engine factory in north-east China.

Despite the delay on the military Spey programme, China is engaged in talks with Rolls-Royce on a licensing agreement which would enable it to start local manufacture of components for the civilian Spey engine used on its Trident aircraft.

The Chinese have also shown interest in participating in the RJ-500 engine development programme, which Rolls-Royce shares on a 50-50 basis with three Japanese companies.

THE LEX COLUMN

Money supply and the tax lags

February's money figures were lost in the statistical haystack of Budget day, but the set for the month to mid-March, a preliminary version of which will be published tomorrow, is likely to attract plenty of attention. For once, expectations are generally optimistic—many analysts are expecting sterling M3 to show a fall on the month, even after an unfavourable seasonal adjustment of £650m.

Still, there is a certain amount of nervousness in the gilt-edged market. A lot of stock has been bought since the Budget on the promise of slower monetary growth, and some investors would undoubtedly like to see something more than promise. The superstitious have been pointing out that both the cuts in Minimum Lending Rate in 1980 were followed immediately by very poor money figures—so perhaps the cut in interest rates in the Budget was a bad omen.

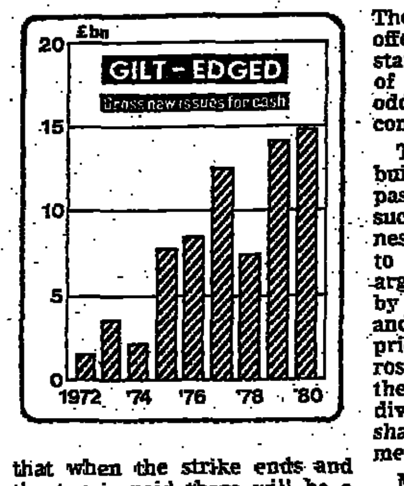
The main reason for expecting good figures is the high level of sales of Government debt. Sales of gilts in the March banking month were over £1½bn gross, and National Savings made an important contribution. It also seems that the underlying level of bank lending was relatively low, while the public sector deficit was reduced by the payment of oil taxes.

As usual, though, any number of distortions could upset this happy picture. Money market round-tripping is one danger: on several occasions during the month it was possible for companies to draw down their overdraft facilities and lend at a profit—not just overnight, but for a week or longer. To the extent that this took place over the end of the banking month it will have increased the money stock.

Another potential problem comes from the recent build-up of UK residents' foreign currency deposits, thanks to which sterling M3 has been growing less rapidly than the straightforward M3 measure of money. If this reversed in the days after the Budget, when sterling strengthened, there must be more chance of a disappointing sterling M3 figure.

The effect of the civil service dispute on revenue flows was probably of limited importance in March. But it will have changed the whole basis of the April figures—and taxed the ingenuity of the men at the Bank of England who work out seasonal adjustments.

The dispute has had a noticeable impact on the money market, where the shortfall in tax payments has led to very easy conditions. The danger is that when the strike ends and the tax is paid there will be a surge in short-term interest rates, but the Bank of England's behaviour in the markets suggests that it feels well able to cope with this. Next week would normally see tight markets because of the three-month peak in VAT payments, which usually causes some trouble — the Bank may feel that anything which disperses the notorious "spike" cannot be all bad.



The Bank seems to have decided not to mop up the surplus liquidity in the markets by selling more Treasury Bills: the weekly offer at tender remains a mere £100m. Instead, it has been selling eligible bills from its portfolio back to the market, but even this has not been done very aggressively. The most important factor removing funds from the market has been the sale of Government stock, and it is arguable that the authorities should react to the present very liquid markets by selling gilts as actively as they can, in order to be able to slow the rate of funding later in the financial year.

Weary investors in gilt-edged, looking back at the indigestion following the sell-out of three stocks since the Budget, might guess that this is just what the Bank has been doing. Gilt-edged fund managers are telling their stockbrokers that they are already fully invested (perhaps they are playing in equities on the sly) — and anyway April is a poor month for gilt-edged dividends. The banks, meanwhile, are still supposed to keep out of the market, and U.S. interest rates have been pushing back up. But it would be surprising if a good set of figures failed to revive enthusiasm for 13¾ per cent yields.

Ward/Tunnel

After the preliminary skirmishes, the battle for Tunnel Holdings gets under way in earnest later this week when Thos. W. Ward posts its formal offer document. Even though it starts with nearly 30 per cent of the votes under its belt, the odds are against Ward winning control.

Tunnel's management has built a strong following in the past few years, when it has successfully reshaped the business, and it is bitterly opposed to the bid. The commercial arguments put forward so far by Ward are not compelling, and the same applies to the price. Tunnel's profits probably rose by a quarter or more in the year just ended and the dividend could go up even more sharply since last year's payment was covered 3½ times.

Moreover the strength of the stock market during recent weeks has made Ward's offer look that much less generous. If Tunnel's shares had performed no better than the building materials sector as a whole since the takover approach was first rumoured, they would be within 7 per cent of their present level.

Ward would be stretched to improve its opening offer significantly. Its cash and equity package values the outstanding shares in Tunnel at £75m, compared with its own stock market valuation of £76m, and already threatens some dilution in terms of pre-tax profits per share.

These doubts are reflected in Tunnel's shares, which currently stand 8 per cent below the offer price. Ward's own shares have risen a tenth since it announced the bid, suggesting that the most likely outcome is that Ward will fail to win control and instead will sell off its Tunnel shares at a good price. They are currently worth £24m, compared with a book value of £13m and Ward's net worth of £93m. Tunnel may be less worried about Ward than about who might eventually buy its shareholding.

The G.B.

Sir Tommy Gore Browne might have chosen some quieter occupation if he had guessed in 1973 that in eight years as Government Broker he would be required to sell some £65bn of gross debt at coupons ranging from 3 to 15½ per cent. He retires this week at a time when new techniques of funding are being developed, partly because of criticism that official tactics have become predictable. But the system has been carrying a weight of funding that it was never intended to bear, and it is a tribute to the G.B. that it is still so robust after the strains of the last few years.

ICI among targets of EEC probe

By David Churchill, Consumer Affairs Correspondent

ICI AND a number of other major British companies have been investigated in a series of "dawn raids" by officials from the European Commission seeking evidence of alleged unfair trading practices.

The raids, carried out without advanced warning, and usually early in the morning, are made under little publicised powers given to the Commission by the Treaty of Rome to enforce its competition policy. These powers, which include the right to enter a company's premises on demand, examine documents and question staff, are far more extensive than exist for UK regulatory agencies such as the Office of Fair Trading.

The raids have been carried out in spite of some concern by the Government over the legality of the recent changes in the investigation procedures adopted by the Commission.

The investigation into ICI took place shortly before last Christmas when an inspector from the European Commission's competitions directorate visited ICI's agricultural chemicals division at Billingham on Teesside.

A legal official from the OFT accompanied the Commission's inspector although the OFT has no direct involvement in the investigation.

No reason is given by the Commission for the investigation, although it is likely to have followed complaints made by ICI's competitors in the European market for agricultural chemicals.

ICI yesterday confirmed that an unannounced visit had been made by the Commission but declined to comment any further.

The raid on ICI was one of three made on UK chemical companies shortly before Christmas. By coincidence, the offices of one of the other companies investigated—KWR Chemicals—are directly opposite the OFT's headquarters in Central London.

The Commission has taken no further action so far in any of the three companies investigated last December.

Although the Commission's powers to carry out unannounced "dawn raids" have been available since Britain joined the EEC in 1973, it was not until June 1979 that the first investigation of this kind took place in the UK. At that time, six audio equipment manufacturers in the UK, mainly subsidiaries of Japanese companies, were investigated by the Commission as part of 13 other simultaneous raids on audio equipment manufacturers throughout the EEC.

One of the UK companies investigated, National Panasonic, challenged some of the Commission's investigatory powers in the European courts. However, the court ruled in favour of the Commission.

Earlier last year, three other British companies were investigated. The companies involved were two small engineering companies in Sheffield and Crewe and a camera manufacturer.

The inspectors who need no invitation, Page 4

Brazil raises $4.4bn as economy improves

BY PETER MONTAGNON AND ANDREW WHITLEY IN MADRID

BRAZIL raised $4.4bn (£2bn) on foreign financial markets in the first quarter of this year, putting it well ahead of its foreign borrowing target of $13bn-$15bn for the year.

This is in marked contrast to the first quarter of last year when Brazil raised virtually no money abroad and had to draw about $2bn from its foreign exchange reserves.

News of Brazil's improved economic performance surfaced at the annual meeting here of the Inter-American Development Bank.

Brazil's reserves are stable at about $6.5bn, said Professor Antonio Delfim Netto, Planning Minister. There is even some prospect that the margins on Brazil's Eurocurrency borrowings could drop from the high level of about 2¼ per cent over London interbank rates.

This would depend on a continuation of the favourable trend that has developed in Brazil's external accounts, Prof. Delfim told the Financial Times at the Bank meeting.

Brazil's trade deficit dropped sharply in the first two months of the year to $260m from about $800m in the same period last year.

Exports rose about 30 per cent, again above the target rate of 25 per cent, with the industrial sector continuing to put in a dynamic performance, according to Dr. Carlos Langoni, the Central Bank Governor.

Oil imports were running at the target rate of 750,000 barrels a day, Prof. Delfim said, with overall energy consumption stable at the equivalent of about 1m b/d.

The average price paid for oil in the first quarter has been only $34.5, compared with a budgeted price for the whole year of $36.

But Prof. Delfim conceded that Brazil was making slower progress on bringing inflation down from over 110 per cent. The cruzeiro will be devalued throughout this year in line with the inflation differential with other countries.

The main thrust of Brazil's economic policy is to hold down the current account balance of payments deficit. This is expected to run at $10bn to $12bn this year, compared with $12.1bn last year. Dr. Langoni said there would be only a "small reduction" in the annual rate of inflation by the end of this year.

He said the private sector would be encouraged to take the brunt of the foreign borrowing requirement this year, in contrast with last year's emphasis on the role of the public sector.

This is being achieved partly through credit restrictions in Brazil, which have made domestic borrowing by private companies unattractive.

Brazil's commercial banks in the first quarter raised $1.6bn in medium term Eurocurrency finance for lending to their customers in Brazil.

In addition, a significant but unspecified amount was raised abroad directly by Brazilian corporations, mainly the subsidiaries of multinationals.

Taken together with $1.3bn in unused foreign credits arranged last year, Brazil has covered $5.7bn of its requirement for this year, representing 38 to 44 per cent of its total estimated needs.

Foreign exchange reserves at the end of March stood at $6.49bn, said Dr. Langoni.

TV inquiry into Soviet gold links

BY DAVID MARSH

WIDE-RANGING evidence of discreet contacts between South Africa and the Soviet Union over the marketing of gold, diamonds and platinum is contained in a television documentary scheduled to be broadcast tonight on the BBC's Panorama programme.

The 50-minute film reveals an elaborate network of contacts between the two sides, in which Anglo American Corporation the giant South African mining group, plays a key role, according to Mr. Michael Cockerell, the BBC reporter who put together the documentary.

South Africa and the Soviet Union are the world's top two producers of gold, diamonds and other imported minerals. The two countries maintain no formal trade or diplomatic ties, and reports of links over minerals sales have always been strongly denied by the Russians.

The film contains an interview with Mr. Vladimir Bykov, the Soviet Minister Counsellor in London, denying any contacts between the two countries.

The programme highlights a visit to Moscow last November by Mr. Gordon Waddell, a member of Anglo American's operating committee and chairman of Johannesburg Consolidated Investment, which is the main shareholder in the world's largest platinum mine. Mr. Waddell was spotted by the BBC's Moscow correspondent in the company of Soviet officials at the Bolshoi Theatre during a performance of Boris Godunov.

The film — the first major inquiry on British television into the twilight world of precious metals trading—also contains details of links between the Russians and De Beers Consolidated Mines over diamond marketing. De Beers, a sister company of Anglo American, dominates world diamond production.

Small business loan plan due in May

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Department of Industry's bank loan guarantee scheme for small businesses is to be introduced early in May after negotiations are completed with the main English and Scottish clearing banks and the Industrial and Commercial Finance Corporation.

Negotiations with other banks and financial institutions including the Co-operative Bank, will begin after the scheme is launched.

But the Trustee Savings Bank, which applied to join, has been told by the Industry Department that it does not have sufficient experience of commercial lending especially to small businesses.

The launch of the scheme will coincide with the start of a major Government campaign to advertise its "Business Opportunities Programme."

First announced at the time of the Budget, the programme will include a series of major Ministerial speeches, advertisements and other events aimed at making businessmen aware of the measures introduced by the Government to help new and expanding enterprises.

These include the bank loan scheme, taxation concessions for new businesses introduced in the Budget, and an expansion of the Government's general advice and help for small businesses.

Loans totalling up to £50m a year will be made by the banks to businessmen who have viable projects but cannot raise sufficient personal security for normal loans.

The banks and institutions will run the scheme themselves, with only formal vetting of each loan by the Industry Department. It is for this reason that some financial institutions will not be included.

The Government will charge a premium of 3 per cent and will guarantee 80 per cent of each loan. It will be up to the banks to decide what total rate to charge in each case, based on their charges for the 20 per cent they guarantee. Generally small businessmen are likely to pay about 5 per cent above base rate.

UK gas oil futures trading starts

BY JOHN EDWARDS, COMMODITIES EDITOR

THE VEIL of secrecy surrounding oil prices will be partly lifted today with the launching of the London gas oil futures contract at Cereal House, Mark Lane.

Like other commodity futures markets, gas oil will use an "open cry" system to establish price levels that will then be disseminated worldwide.

The prime purpose of the market is to provide protection against the unpredictable price fluctuations in oil and oil products. These have developed in recent years as a result of the big changes in the oil industry and the expansion of free market trading not controlled by the major oil groups, in centres such as Rotterdam.

It will be the first oil futures market in Europe, although there is already an established heating oil futures market in New York.

London hopes to be equally successful since it is acknowledged as an international oil trading centre and has the advantage of being in the European time-zone.

BP was represented on the formation committee of the new market and is known to have traded in New York. The other major oil groups are also showing interest, but will probably wait and see how the market develops.

Shell (UK), for example, said it would be keeping an eye on the market.

Support initially is expected to come from traders operating in the free market and from speculators.

Mr. Robin Woodhead, chairman of the International Petroleum Exchange formed to launch the market under the auspices of the London Commodity Exchange, claimed that no futures market had ever started with such support.

Once the gas oil contract is established, the International Petroleum Exchange plans to introduce contracts for other oil products such as naphtha, benzine, bunker fuel, gasoline and even, perhaps, crude oil.

London oil futures prices will be published daily on the Financial Times commodities page.

Commodities survey: Insert

Continued from Page 1

Opinion

The Financial Times survey indicates that industry has become distinctly less pessimistic about the economic outlook since the beginning of the year, largely because of hopes that the economy has bottomed out.

There has been no great surge of optimism, and the Budget has been given a distinctly cool reception by industrialists. This is mainly because of disappointment that "so little has been done to help industry."

The survey, this month covering the building and construction, food and tobacco and textile and clothing sectors, shows that industry remains optimistic about a further slowing in the inflation rate in the next year.

Weather

UK TODAY

DULL and misty with some hill and coastal fog patches and local drizzle. Cold in some eastern parts.

London, S. England, the Midlands, N. England
Dry and cloudy with some sunny intervals. Max. 10C (50F).

E. Anglia, SE England, Channel Isles
Mainly cloudy with local drizzle and North-East wind. Max. 9C (48F).

E. England, Borders, E. Scotland
Dull and misty with hill fog patches and some local drizzle. Max. 7C (45F).

S.W. England, Wales
Dry with some sunny periods. Max. 11C (52F).

N.W. England, W. Scotland, Ulster
Dry with sunny periods and light East wind. Max. 13C (55F).

The Highlands
Dry but mainly cloudy. Max. 10C (50F).

Outlook: Mostly dry with sunny intervals and night frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	16	61	Lisbon	F	16	61
Algiers	S	18	64	Locarno	C	14	57
Amsdm.	C	8	46	London	C	7	45
Athens	S	17	63	L. Ang.†	S	14	57
Bahrain	C	24	75	Luxmbg.	C	6	43
Barclna.	S	16	61	Luxor	S	32	90
Beirut	S	18	64	Madrid	S	17	63
Belfast	F	12	54	Majorca	S	17	63
Belgrd.	S	16	61	Malaga	S	18	64
Berlin	S	10	50	Malta	S	15	59
Biarritz	C	12	54	M'chstr	C	8	46
Bmghm.	R	7	45	Miami†	S	23	73
Blackpl.	C	9	48	Milan	F	14	57
Bordx.	C	14	57	Montrl.†	R	14	57
Boulgn.	C	6	43	Moscow	C	6	43
Bristol	C	8	46	Munich	C	6	43
Brussels	C	8	46	Naples	S	17	63
Budpst.	C	14	57	Nwcstl.	C	7	45
Cairo	S	22	72	N York†	C	16	61
Cardiff	C	8	46	Nice	S	15	59
Cas'b'ca	S	18	64	Nicosia	S	16	61
Cape T.	S	23	73	Oporto	S	16	61
Chicg.†	C	3	37	Oslo	S	8	46
Cologne	C	9	48	Paris	C	8	46
Cpnhgn.	S	10	50	Perth	S	22	72
Corfu	S	18	64	Prague	S	6	43
Denvert	S	5	41	Rykjvk.	S	4	39
Dblin	C	7	45	Rhodes	S	14	57
Dbrvnk.	S	16	61	Rome	S	16	61
Edinbgh.	C	8	46	Salzbrg.	C	6	43
Faro	S	17	63	Sngapr.	C	31	88
Florence	S	17	63	Stckhm.	S	10	50
Frankft.	C	8	46	Strasbg.	C	8	46
Funchal	F	18	64	Sydney	F	27	81
Geneva	C	8	46	Tangier	F	21	70
Gibrltr.	C	17	63	Tel Aviv	F	17	63
Gl'sg'w	C	9	48	Tenerife	C	13	55
G'nsey	F	8	46	Tokyo	S	14	57
Helsinki	S	9	48	T'r'nto†	C	13	55
H. Kong	C	20	68	Tunis	S	17	63
Innsbrk.	C	10	50	Valencia	S	17	63
Invrnss.	C	8	46	Venice	C	12	54
I.o.Man	C	8	46	Vienna	S	10	50
Istanbul	S	10	50	Warsaw	C	8	46
Jersey	F	9	48	Zurich	C	8	46
Jo'burg	S	25	77				
L. Pims.	C	19	66				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

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